

“Managerial Accountability reforms in the context of the Greek public sector. Patterns of continuity and change, in organisational life: The case of the Hellenic Railway Organisation (OSE).”



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Abstract

The present study aims to depict the continuity and change in the patterns of interaction and accountability in the Hellenic Railway Organisation (OSE), as these are influenced by the application of managerial accountability reform, in the context of the Greek public sector. In particular the present study focuses upon the effects on inner organisational patterns of interaction and accountability from the use of strategic and operational plans, in the effort of the Greek State to keep the company's executive officer accountable for his/her decisions and actions. Critical to the present analysis is the role of the European Union in the reformation process in the Greek railway industry. Structuration Theory was used to provide a theoretical framework to guide the empirical research.

In the course of the thesis it emerges that the power of subordinates to control the reformation process and to hold superordinates accountable for their actions and decisions was critical to the creation of meaningful and accountable relations between organisational actors and their outer organisational context. The dialectic of control is seen by the present study as the key factor that allows an organisational system to maintain a level of managerial and operational independence from elements of the institutional environment, with contradictory and conflicting interests, which aim to influence managerial and operational strategies. Managerial and operational independence of organisational systems, from their institutional environment, is seen as a precondition in order for organisational actors to develop relationships of trust and responsibility and to re-rationalise and modernise the patterns of organisational action and accountability.

The inability of the OSE to efficiently apply its modernisation project is seen as the outcome of organisational actors' inability to maintain a level of independence from the institutional environment and to formulate meaningful and accountable relationships. For that reason operational plans and performance objectives have failed to be coupled in the ongoing relationship between organisational actors in the OSE and their institutional environment. The disaggregation of the OSE into a holding company and company's current dreadful

financial and operational conditions are seen as the unintended consequences of the organisational action.

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Abbreviations

ASE	Athens Stock Exchange
ASKE	Representative Assembly of Social Control
BoD	Board of Directors
BP	Business Plan
CEMT	European Conference of Ministers of Transport
CFL	Luxemburg rail operator
CN	Canadian National Railway Company
CP	Portuguese rail operator
CSF	Community Support Framework
DB	Reise & Touristik German rail operator
DEH	Public Power Corporation
DEKO	Enterprises of Public Character/Benefit
DSB	Danish rail operator
EC	European Committee
ED	European Directives
EDISY S.A.	OSE's subsidiary established to manage and operate the rail infrastructure
EMU	Economic Monetary Union
ERGA OSE S.A.	The first OSE's subsidiary company responsible for monitoring OSE's investment projects co-funded by the European Union and the Greek Government
EU	European Union
FRA	Friends of the Railway Association
GAIAOSE S.A.	An OSE's subsidiary company activates in the field of the real estate
GRD	Greek Drachma
IMF	International Monetary Fund
JNR	Japanese National Rail Company
KES	Work Conditions Monitoring Committees
MA	Management Accounting
ND	New Democracy
NPFM	New Public Financial Management
NPM	New Public Management
NS	Dutch railway
OECD	Organisation for Economic Cooperation and Development
OSE	Hellenic Railway Organisation
OTE	Greek Telecom
PASOK	Pan-Hellenic Socialist Movement
PESKE	Local Assemblies of Social Control
RENFE	Red Nacional de los Ferrocarriles Españoles, Spain rail operator
SAAS	Operational Programme Railways-Airports-Public Transport
SEK	Hellenic State Railways
SNCB	Société Nationale des Chemins de fer Belges – Belgian rail operator
SNCF	Société Nationale des Chemins de fer français, French National Railways

SOE	State Owned Enterprises
SPAP	Piraeus-Athens Peloponnese Railway Company
TGV	Train à Grande Vitesse, French for 'high-speed train
THR	Thessaly Railway Company
TR	Independent consultant
TRAINAOSE S.A.	OSE's subsidiary company established to operate rail services
Thriasio S.A.	An OSE's subsidiary company activates in the provision of logistic services

Interviewees' quotations

BA	Employee Representative
DK	Former Administrative Manager; Employees' representative in the BoD
DX	Junior Manager - No allocated tasks
EG	Administrative and Human Resource Manager
HL	ERGOSE's Manager responsible for providing cost information to the Managing Authority
KF	CEO TRAINAOSE
KN	Head of Employees' Union
KS	Former Employees' representative in the BoD; Supplies Department's manager
LN	Rail Traffic Controller
LS	Junior Manager - Financial controller
MI	Former CEO, period 1997-2001
ML	Senior Manager - Freight rail transport administration
PI	Former senior manager - Strategic and Operational Planning department
PX	Former Administrative Manager; Chairman of the BoD; periods 1982-1984; 1994-1997
RD	Junior Manager - Traffic Control
RG	Manager - cash-flow department
RT	Manager - Rail operating department
SL	Junior Manager - cost accounting department
SD	Junior Manager - administrative and financial control department
SR	Senior Manager - Financial Administration
TD	Senior Manager - Passengers' Rail Services Administration
TG	Manager - cash-flow department
THP	Senior Manager - Information System Administration
TZK	Senior manager - Strategic and Operational Planning department
TK	Rail Traffic Controller
TV	Senior manager - Strategic and Operational Planning department
VA	Employee Representative
VIA	Manager - International Relations Department
XI	Senior Manager - Rail Administration

Map of the Greek Rail Network



1. Chapter – Introduction

1.1. Preamble

This thesis is concerned with the “Managerial Accountability”¹ reforms in the Greek public sector, a subject which has hitherto received little attention. Using the Hellenic Railway Organisation (OSE) as a single case study, the principal research objective is to depict the way that the incorporation of strategic and operational plans, as formal accountability mechanisms, has influenced the patterns of interaction and integration between organisational roles within the OSE and between organisational roles and their institutional environment.

Managerial accountability reforms in the guise of New Public Management aim both to redefine the concepts of public and private and to facilitate the explicit objective of the reforms, which is the privatisation of state owned enterprises. The model promotes a new form of governance for state-owned enterprises that is based upon managerial independence, whilst the incorporation of strategic and operational objectives into the model aims to keep management accountable for its actions. This preoccupation of NPM reforms with financial objectives and the need to measure managerial performance shifts steering mechanisms from process control to output control (Broadbent and Laughlin, 1997; Gendron et al, 2000). Under this regime accounting mechanisms, change their functional characteristics and operational objectives; they are no longer solely mechanisms for recording transactions, but are rather utilised as measurements of financial efficiency and economic effectiveness (Broadbent and Laughlin, 1997). The operational and strategic objectives are set and then measured and reported by the use of accounting indicators. This attempts to motivate organisational action by communicating common values and targets. Accounting thus becomes the centre of organisational action in the management of public sector organisations for planning, evaluation and also accountability purposes (Hood, 1995).

¹The reforms in the public sector, can also be identified under the terms ‘New Public Management’ (NPM) or ‘Management by Accounts’

On that basis the Greek government in 1996, introduced law 2414 “For the Modernisation of the Public-for-Benefit Enterprises” (DEKO) with the aims of reducing the role of government in the country’s economic activity, reversing the problems of centralism, bureaucracy and favouritism that troubled the Greek public sector (Featherstone, 2006), and at the same time increasing transparency in the management of state owned enterprises. Managerial accountability reform is a model of public administration that has been adopted by different governments, in many different countries with diverse historical, political, economic, social and geographic characteristics (Lapsley, 2008). The reforms within the public sector are seen as the outcome of the neo-liberal approach to the social and economic function (Humphrey et al, 1993); strong advocates of which are international organisations like the World Bank, as well as political and economic unions like the European Union (EU). For that reason reforms in the Greek public sector have to be understood in the context of the country’s participation as a member state of the EU (Pagoulatos, 2006).

The European rail industry, which is mainly run by state-owned organisations, is a characteristic example of the type of industry that NPM is aimed at. Following the model of private corporations the European Commission (EC) aims to modernise the European rail industry, by focusing upon the dimensions of financial efficiency, economic effectiveness and transparency. The previous model of public administration, (based upon the welfare state), is perceived to have failed in these aims and in addition, had resulted in the accumulation of large financial deficits in the rail industry. The new model of organisation in the European rail industry, promoted by the EC, is based upon the separation (either accounting or business disaggregation) of the rail infrastructure manager, which generally remains under state ownership, and the passenger and freight service providers. The main objective of the EC, working through the mechanism of European Directives¹ (ED), has been the deregulation and liberalisation of the European rail industry from state monopolies. According to the European Rail Directives, issued by the European Commission, the provision of financial subsidies by national governments to state-owned rail operators has to be restricted only to the provision of rail services for social purposes. For that reason the rail business operators must also have profitable activities that will make rail operations

¹ See EEC, 1991; EC, 2001

financially independent from the state. The national governments, on the other hand have to take responsibility for the accumulated deficits of these former state-owned enterprises.

The changes in the Greek rail organisation (OSE) can be seen as having two distinct periods. The first period 1996-2002, involved the accounting segregation of the rail infrastructure manager from the service operators and aimed to create managerial autonomy within operational business units. In the second period 2003-onwards, however, the changes in the Greek rail industry reached a more holistic approach towards market deregulation. The outcome of this new orientation was (through the Presidential Decree 41 of 2005) the disaggregation of OSE into five separate companies, operating under a parent company. The analysis of the conditions and the power relations influenced these decisions, and of the way operational and strategic objectives were implicated in the process of the transformation of the OSE, constitute the core of the present thesis.

1.2. Implications from the application of managerial Accountability reform in state-owned organisations

NPM assumes hierarchical organisational structures, where the use of accounting control mechanisms aim to acquire the information that will allow management to appraise and control organisational activities. The model mainly emanates from the assumptions made in Agency Theory (Broadbent et al, 1996) and assumes that an agent (the manager) has the obligation to provide accounts to the principal¹ for the responsibilities entrusted to him. Mutual responsibilities emanate from that relationship, as well as the sanctions and rewards contained within the contractual relationship of the employment agreement. Within the formulation of this contractual relationship operational and strategic plans have two functions. The first is to establish managers' ability to exercise effective leadership as rational individuals with the competence to "*anticipate and assess the probability of all possible future contingencies*" (Baiman, 1990: 342). The second is the incorporation of operational and strategic objectives as the focus of monitoring mechanisms that attempt to align employees' self-interested objectives to those of the principal.

¹ The responsible minister in the case of the public sector

It can be seen therefore that following the tradition of Functional¹ studies, NPM assumes managers/agents to be rational, self-interested individuals, seeking optimal solutions that can be identified by the utilisation of management accounting techniques. There is no space for fairness and trust, or for collective action. Accountability is seen as a mechanistic relationship, imposed upon subordinates, where managerial accounting techniques make visible their actions to create the possibility of control. Moreover, the model assumes that the accountability relationship is restricted to that between the principal and the agent-manager. For that reason it assumes internal organisational consistency.

However, the preoccupation of the accountability relationship with financial and managerial objectives is the outcome of an abstract conceptualisation of social life (Mouritsen, 1994). For that reason this particular theoretical concept fails to recognise the dialectic relationship between object and subject. Organisational inconsistencies and the demand to meet principal's objectives in a way that will also satisfy managers' self interested goals reduces the accountability relationship to the management of the principal's expectations and leaves space for the use of performance measurements for manipulation purposes (Baiman, 1990). Consequently, the ability of normative forms of organisational integration (such as the use of operational and strategic plans to communicate managerial rationality and competence), to be coupled with ongoing managerial and operational action is questioned by the present analysis.

1.3. Accountability; in search of a methodology

The process of creating new structures of organisational interaction and interrelationships is not uncomplicated, or without tensions. As Mouritsen (1994: 196) argues; *“an institution survives because of a single-minded reproduction of taken-for-granted behaviour... which*

¹ Using two basic independent dimensions concerning the nature of society (objectivism and subjectivism), Burrell and Morgan (1979), reached a generic classification of the social and philosophical approaches that have influenced management research and defined the nature of the studies (regulative and radical change), (Hopper and Powell, 1985). In functionalism the social world is perceived to exist independent from social actors, it is a given objective situation. In that sense the nature of the study of the social world is to explore what regulates the function of social institutions, which exist only because they are necessary to the social function. The approach uses causal relationships that are perceived to emerge from the objective reality in an effort to explain social phenomena in society but without any intention of changing it (Puxty, 1993).

once was considered as rational". That taken-for-granted behaviour is reproduced through organisational structures of interaction, which have been developed over a period of time. For that reason the application of NPM reforms in the different countries, have been accompanied by increased tensions and social conflicts within the target organisations (Nor-Aziah and Scapens, 2007).

However, while conflicts have emerged in many of the countries in which NPM reforms have been applied, the intensity of the structural impediments that have been seen in the Greek social context, make the realisation of the structural reformation of the country's public sector organisations a highly intensive and complicated venture. This makes Greece a particularly distinctive example where twelve years after the first reforms were introduced in the Greek public sector *"still the culture of state administration continues to display a suffocating legalism, inefficiency and lethargy"* (Featherstone, 2006: 2; Philippidou et al, 2008). The multiple interest groups that influence the formation of the country's public policy and the asymmetries of power between these groups along with *"the fact that social dialogue in Greece remains an exercise with a limited scope"* (Lavdas, 2006: 76) are examined as the main causes for the inability of the applied managerial accountability reforms, to modernise the Greek public sector.

In contrast though, New Public Management reforms are intended to establish a model of accountability that both enforces the control exercised by the government upon organisational actors and restricts the formation of organisational objectives between public sector managers and their political overseers (Sinclair, 1995; Broadbent et al. 1996; Goddar, 2006). Thus, the intentions of CEOs tend to remain implicit and this undermines the formation of relationships of trust and responsibility which are the foundation of accountability between organisational actors, because subordinate managers and other employees perceive that their seniors serve pre-defined objectives.

For that reason, the crucial issue for the modernisation of the Greek Railways is the use of the strategic and operational objectives not as mechanisms for conveying symbolic managerial power and competence (which is central to NPM reforms), but as normative

forms of dialogue where different approaches to the character of the Greek rail industry can be combined and common understandings of the objectives of organisational action, can be formulated. Organisational actors and collectives have to be persuaded of the need for a new form of organisational action. Without agreement, no new organisational integration will occur and, as a result, inter organisational conflicts will not allow the efficient implementation of the new formal structure with its accompanying roles and control techniques.

The need to understand how the notions of accountability, trust, authority and power interrelate, in order to depict the changing process of management control structures in state-owned organisations demands a different theoretical model from that of the Principal-Agent upon which NPM reforms rely; a model that understands managerial accounting practice not as a solely technical¹ activity but rather as a social and institutional one (Potter, 2005). To this end, this thesis has employed structuration theory as a framework for the analysis.

1.4. Structuration Theory

The use of Structuration Theory in this thesis aims to model the conditions influencing the transformation of the Hellenic Railway Organisation; the norms, rules and regulations that govern the patterns of social interaction the rationality underpinning operational and managerial action and the way in which that rationality becomes observable and reportable to organisational agents and their institutional environment.

Within the framework of Structuration Theory (Giddens, 1979; 2002; Parker, 2000), the formulation of accountability relationships between social agents is understood as the outcome of a social process where knowledgeable actors interact. As will be discussed in Chapter 3, accountability is based upon the ability of actors to provide accounts of the rationality of their actions. That ability is the outcome of a learning process based upon the

¹ The argument that within the framework of contingency and systems theories (e.g. cybernetics), managerial accounting is seen as a solely technical activity is not completely accurate, since the study of accounting dysfunctions and its effects upon human behaviour have been influenced by social psychological studies as well (Hopper and Powel, 1985). However, the study of subject and object interrelationship remains within the framework of functionalism. For that reason accountability is coupled with control.

regularity of action. In practice accountability establishes a social rule of action that reflects the expectations of the other members of a social system, and in addition it allows agents to self-monitor their activities. This is why the efficient incorporation of formal control mechanisms is dependent upon the way that management accounting techniques, become embedded in day-to-day organisational activity, the way they will come to inform the meaning of organisational action and the way they will control and organise the new roles and relationships that emerge from the change (Scapens 1994; Barley and Tolbert 1997).

The ability of subordinates to influence organisational objectives and the norms and rules that shape organisational action is regarded by the present analysis as the most critical condition for the formulation of meaningful accountability relationships. “Dialectic of Control” is the notion incorporated in Giddens’s (2002) theory of structuration in order to describe the relationship between superordinates and subordinates within social (and consequently organisational) systems and to describe subordinates relative power to influence the patterns of organisational interaction.

The case-study research approach selected enables a deeper and richer understanding of the way that operational and strategic objectives become embedded in accountability relationships, influence and get influenced by the situated action (located in a particular organisational context) of organisational agents, and their interrelationship with the institutional environment (Nandan and Alam, 2004).

1.5. Research Approach

It is the effort to depict the way that the wider institutional environment and the micro-organisational environment interrelate and how that interrelationship affects the rationality underpinning the accountability relationship among the members of an organisational system and their institutional environment that provides the basis for adopting a context based research approach. In contrast to statistical and to econometrical analysis that aim to prove or to falsify certain hypotheses and as a result obtain a static view of social life, a case study is a form of research that is able to capture the dynamic nature of day-to-day activity and to

provide a holistic approach without generalisations and over simplifications (Ryan et al 2003).

The main critique of case studies as a research approach is their lack of generalisation that makes research validity problematic. However, the present study argues that qualitative approaches using the case study method are compatible with the effort to depict the way that social actors interrelate and integrate and the way that strategic and operational plans bind and enable agents' interrelation and integration. For that reason case study as method of research has been incorporated in the process of understanding how management accounting practises are implicated in the ongoing organisational activity (Scapens, 1990; Covaleski et al, 1996, Conrad 2005).

1.6. Contributions

This study contributes to an understanding of the reasons why strategic and operational plans and their associated managerial and operational performance objectives have failed to be coupled with ongoing managerial and operational action in the context of the Hellenic Railway Organisation (OSE). The analysis establishes the relationship between the concepts of trust, accountability and decoupling on the basis of the incapacity of organisational actors to establish a certain rationality of business action that would enable the reproduction of the patterns of organisational interrelationship. Depicting the materialistic conditions under which organisational agents interact and interrelate, the study argues that the inability of operational and strategic plans to be coupled in the ongoing managerial and operational action is the outcome of organisational actors' incapacity to maintain a level of independence from the institutional environment.

The tight embrace of the company's management from the institutional environment resulted, operational and strategic plans never commonly to be used within the sequence of the ongoing organisational action and to facilitate cooperation between the executive managers and their subordinates. This is why, operational and strategic objectives have failed to become the expression of collectively formulated objectives; aiming, through a learning process, to rationalise the sequence and the objectives of the managerial and operational

action. Due to the implicit objectives pursued by social actors, managerial and operational objectives lack the ability to make transparent ministers' and administrative manager's intentions and for that reason to formulate relationships of trust with employees and social groups.

An additional point that has to be underlined is that in contrast to other interpretive traditions that focus on organisational inconsistencies and on intra-organisational conflicts and antagonistic relationships the present analysis emphasises on the inconsistencies that characterise the relationships of parties in the wider institutional environment; namely the Greek Government, and the European Commission. More particularly, the conflicting, antagonistic and implicit expectations imposed by the various parties of the institutional environment upon organisational actors emerge as causations of decoupling of formal control structures.

1.7. The structure of the thesis

Having outlined the basic features, the theoretical framework, and research methods of the study, this section explains how the remainder of the thesis is structured.

Chapter two starts with an account of the characteristics of the NPM management reforms in different countries and in Greece in particular. It continues with an examination of the contradictions within the formulated accountability model and stresses the need for a new approach to the accountability relationship.

Chapter three develops the study's methodological framework, argues for the importance of structuration theory, and discusses the advantages and limitations of the data collection method used in the study.

Chapter four introduces the reader to the reforms in the European railway industry and the emergent contradictions. Central to that analysis is the idea that the incorporation of managerial accounting aimed to shift the provision of rail services, from social entities

towards more corporate characteristics. In addition, the chapter argues that state-owned rail companies are still the cornerstone of the European rail industry.

Chapter five introduces the reader to the Greek railway context and the social and economic patterns that have influenced its development. Chapter five provides an analysis of the social accountability model that the 1981-1989, socialist government introduced in OSE's management. The aim of the chapter is to emphasise the reasons why the imposed accountability model failed to formulate social control relationships and to emphasise the increase role of the government in the ongoing organisational action.

Chapters six and seven are the core analysis of the NPM reforms in the Hellenic Railway Organisation, and focus upon the emergent conflicts, contradictions and implications in the rationality that underpins the company's operational strategies and targets. More importantly, both chapters emphasise the patterns of continuity that characterise the company's systematic operation and the problems in the relationships of trust.

Chapter eight summarises the findings of the study and draws the conclusions.

2. Chapter – The introduction of managerial accountability reforms in the context of state owned enterprises

2.1. Introduction

In the past twenty five years, “Managerial accountability reforms”, or different “New Public Management” (NPM) reforms, have been a dominant paradigm in the efforts to modernise public sector organisations in different countries around the world. Managerial accountability reforms question the welfare role of the state that developed in European countries and elsewhere after the Second World War. Their aim is to limit the size of the state and its participation in economic activity, and to transform governments “*into a procurer and regulator of public services rather than a provider*” (Shaoul, 2005:3). The reforms are influenced by Neo-liberal ideology (Humphrey, et al., 1993). This is why the extensive reforms applied in different countries involve the privatisation of state-owned enterprises and the outsourcing of many services to private companies (Parker, 1995; Barton, 2006).

Following the dominant model of NPM, in the early 1990s the reforms were introduced into the Greek public sector as well. Act 2414/1996 ‘Modernisation of Public Enterprises and Organisations’ indicates that the Greek government considers the accounting instruments to be capable of constructing rational organisations. This means that accounting mechanisms are perceived to be capable of providing information for rational decision making, and that they also have the power to keep decision makers accountable and responsible for their decisions (Nor-Aziah and Scapens, 2007).

However, there is insufficient evidence for the efficiency of the model with regard to the Greek public sector, or elsewhere, which would justify the implementation of such reforms (Bogt and Helden, 2000; Lapsley, 2001; Townley et al 2003; Venieris and Cohen, 2004; Ballas and Tsoukas, 2004; Cooper, 2005; Johnsen and Vakkuri, 2006). Empirical research indicates that in certain organisational contexts instrumental forms of accountability fail to become integral parts of the everyday organisational activity (Carruthers, 1995; Fernandez et al 1999; Townley 2003; Modell, 2001; 2004; Caccia and Steccolini, 2006), a condition that is seen to diminish and restrict the accountability relationship (Glynn, 1996).

The objectives of this chapter are, firstly, to discuss the characteristics of managerial accountability reforms in the public sector and more particularly, with reference to the changes in the Greek public sector; secondly, to critically assess the implications for the accountability relationship of the coerciveness of the socio-political environment.

2.2. Key issues in public sector management reforms

Reform in the public sector is not a static situation, but rather a continuous process which reflects the dynamism of the rationalisation underlying these reforms. As Brunson argues *“public sector reforms tend to emerge and gradually fade only to be replaced by new forms in wave-like patterns”* (Modell, 2004: 39). The present analysis focuses on the reforms in the public sector, predominantly centred on the instrumental rationality of performance assessment, that are classified under the general title of New Public Management (NPM).

NPM is a general term describing reforms in the public sector that have been taking place in different countries around the world. It can also be found under the terms of “managerialism” and “managerial accountability reforms”. The latter term is the one that will be primarily used in the present analysis, since it is closely linked to the development of management accounting techniques¹ aimed at keeping management accountable for its actions both at an organisational level and by providing accounts for organisational performance to wider societal groups, as these affect, or are affected by, organisational action (Humphrey and Olson, 1995).

Reforms towards managerial accountability in the public sector were initially observed in the United Kingdom and New-Zealand² during the early 1980s (Lodge and Kalitowski, 2007).

¹ The use of management accounting techniques aims to provide management with the necessary information in order to reach efficient decisions. They are also used to keep management accountable for their decisions.

² *“In New-Zealand the respective roles of ministers and chief executives ... are clearly defined in statute:*

- *Ministers are politically accountable to parliament (and to public) for the conduct of their agencies they are responsible for strategic direction, policy decision, the public advocacy of the decisions made and outcomes.*
- *Chief executives are responsible to their ministers and to parliament for the conduct of their agencies – they are responsible for policy advice and implementation, service delivery, the*

While the reforms are considered to be closely associated with neo-liberal, conservative governments, and mainly with Thatcher's governments in the UK, managerial accountability reforms were also introduced in countries with different social contexts than that of the UK and by left-wing democratic governments. The reforms in the Swedish public sector are the main example (Hood, 1995; Schedler and Proeller, 2002; McLaughlin and Osborne, 2002). Initially changes in the public sector were limited to the introduction of management techniques, such as "management by objectives" and "zero-based budgeting" (Schedler and Proeller, 2002). However, since the 1990s reforms have gradually been gaining a more holistic approach towards managerialism and, as already mentioned, they are also known as "managerial accountability" reforms. Regardless of any differences existing in the empirical implementation of the reforms in the public sector in different social contexts, changes are mainly based upon "*the desire to place public services in market or quasi market services*" (Lapsley, 1999:201). An example of this rationale, as will be shown in subsequent chapters, is the European railway industry. The strategy that defines railway policy, as formulated by the European Union Committee (EC), includes three blocks of European directives that attempt to harmonize the different national networks and to introduce competition by liberalising the provision of railway services (European Directives 91/440; 2001/12/13/14).

The reforms in the public sector explicitly aim to reduce the state's share of the production of national income and to change the role of governments so that they become the enablers rather than the providers of public services (Glynn and Murphy, 1996). To summarise, the reforms in the public sector are governed by the following common principles:

- Desegregation of public organisations into separate units of management.
- Introduction of greater competition amongst public sector organisations, and also between public sector organisations and private entities.
- Emphasis on the efficient use of resources, while control is exercised according to output measurements with emphasis on end results.
- Managers are assigned particular responsibilities and are accountable for the organisation's performance (Hood, 1995; Stiglitz, 1998).

management of their agencies, outputs and managing for outcomes" (Lodge and Kalitowski, 2007:12)

This rationality considers the private sector to be a more efficient model than the public sector. Accountable management is being aligned with a managerial approach, which stresses a shift towards private sector managerial principles (Lane 2000, Llewellyn and Tappin, 2003). The private company becomes a model of “*self government*” of the individual. The concept of the enterprise “*facilitates national economic health while also respecting the self-actualizing and self-regulating capacities of individuals*” (Humphrey, et al., 1993:13). The accountability relationship in the public sector is redefined by private sector criteria that focus upon the efficient utilisation of the resources entrusted to agent-managers. The characteristics of the managerial approach towards the accountability relationship are discussed in the following section.

2.3. Managerial Accountability in the public sector

New Public Management reforms provide a model for public administration, which depends upon roles and control techniques that introduce a new form of governance that dictate politicians’ (governmental) responsibility towards the management of public organisations and attempts to enforce the autonomy of individual action by making managers accountable for the efficient utilisation of the resources entrusted to them (Humphrey et al., 1993; Gray and Jekins, 1995; Hood, 1995; Black, 1999; Lane, 2000; Jackson and Lapsley, 2003; Lapsley et al., 2003; McDam and Walker, 2003; Jackson, 2004; OECD, 2004; Lodge and Kalitowski, 2007; Lapsley, 2008; Verbeeten, 2008). In the face of reforms in the public sector, the roles of national governments and public sector organisations, as well as the relationships between them are changing. According to the new rationale, which is heavily underlined by the ideological¹ framework of neo-liberalism,² the state will no longer be the provider of finance but will instead become the purchaser of the services that the public sector produces (Humphrey et al, 1993). The economic rationality introduced into the public sector imposes a

¹ It is important to emphasise the use of the term ‘ideological’ which according to Giddens (1979: 6) it is understood as “*the capability of dominant groups or classes to make their own sectional interests appear to others as universal ones.*”

² The Neo-liberal agenda has certain implications for institutionalisation as a theoretical process.

- The concept of utilitarianism reduces the action to a calculated self interested approach to decision making
- The concept of instrumentalism tends to define decision making and the allocation of resources as society’s central problem (March and Olsen, 1989:3)

provision of services that take into consideration the cost of production and potential profit, or at least the balance between costs and revenues. This new model introduces a new momentum to the affairs of the management of public sector organisations and their institutional environment.

Contrary to the previous model of accountability, in which public organisations were allocated funds that they utilised according to professional norms without being accountable for the revenues or the costs generated by these services, the new model is based upon financial efficiency and performance measurement (Hood, 1995). Such a change requires a shift from traditional steering mechanisms, which were based upon public law and a large number of administrators who were used to monitor procedures in public sector organisations. Such mechanisms are now seen as being inefficient and inadequate for the purposes of the new accountability relationship (Lane, 2000:305; OECD, 2004).

As a result, the intention of NPM reforms is to reconstruct public sector enterprises by altering the rules and norms upon which organisational actors base their actions. The decision-making process is preoccupied with economic objectives at the expense of social targets (Dent, 1991; Ogden, 1995; Conrad, 2005). In contrast to the traditional type of public management (based on an orderly hierarchy, uniformity, legality and policy making) the new managerial role is linked to innovation, creativity and empowerment. Chief Executive Officers (CEO) emerge as the dominant organisational agents, having the responsibility for the efficient utilisation of the resources that financing bodies (governments, international organisations, societies, etc) have entrusted to public organisations, and for the shift of the public sector organisational procedures beyond traditional norms and values (Catusus and Gronlund, 2005).

“Central... was the commitment to bring a ‘wayward’ public sector under ‘proper’ control and vesting powers in managers who would do the ‘right thing’... coupled with marketisation this new emphasis on managerialism seems to place public sector managers in a position of unparalleled power and authority... More than this, central government and sections of public sector agencies invested faith in managers and in the language, techniques and values of managerialism, as the only way actually to deliver change (Exworthy and Halford, 2002).”

Expectations for the efficient and the effective operation of the resources are explicitly defined through contracts and in the formation of quantitative and qualitative targets that the management must meet (Glynn and Murphy, 1996). The model assumes greater autonomy for the agent-manager over the utilisation of resources but, at the same time, it makes their actions visible to the institutional environment through the use of instrumental accountability. The contractual relationship between the resource providers¹ and the agent-manager develops a new structure of interaction that affects the roles of the two parties. Following the example of the private sector accountability model, the party that provides the resources becomes the organisation's principal, a role that alters the meaning of his/her action. *"No longer is the principal a provider of resources to enable professional work to occur as defined according to professional norms. He or she is there to transfer resources in expectations of definable contracts. The principal becomes the definable of these professional activities ..."* (Broadbent, et al, 1996: 262).

The process of change is based upon the adoption of new patterns of interaction by the organisational systems that will shape actors' behaviour and action according to the principal's expectations. Monitoring techniques are employed in order to ensure that the agent-managers' actions promote the principal's interests. It is a low trust accountability relationship based upon the diversity of interests between the principal and the agent; a relationship which causes increased stress and uncertainty and demands instrumental mechanisms of accountability that will explicitly specify the meaning of organisational action and will establish norms of behaviour for organisational members (Scapens, 1994; Burns and Scapens, 2000; Olson, et al, 2001). For this reason, organisational control is orientated towards holding managers accountable for the impact that their decisions have on the principal's interests.

Accounting techniques, budgeting and performance measurements are deployed in the name of increased efficiency and become mechanisms that demonstrate the economic rationality that underlines decision-making and the responsibility of the agent-manager to act

¹ This role is predominantly undertaken by the national states but in addition from international political constituencies like the E.U.

accordingly. The communication of the rationale that underlines organisational conduct is based upon the quantification of information as a mean of holding the agent-manager accountable over his/her actions (Lapsley, 1993; 1999; Dillard and Ruchala, 2005).

2.3.1. The international aspect of managerial accountability reform

Reforms in the public sector, such as those happening in different countries around the globe with different economic characteristics (developed or developing economies) and different social contexts, are marked by the effort to establish a new model of public administration, heavily informed by the model of managerial administration, and grounded on instrumental accountability, as has been developed in the private sector.

“A globalization discourse of administrative reform assumes growing policy interdependence and economic and political integration so that the same management technologies and skills can be applied to national settings. Reforms are thus perceived as largely instrumental and managerial – a matter of improving government performance and management based on so called objective and rational methods” (Cheung, 2002:245).

Reforms in the public sector are influenced and diffused by the so-called globalisation process through the participation of the national states in wider political and economic organisations like the World Bank, the Organisation for the Economic Cooperation and Development (OECD)¹, the European Union (EU), and through the power that these organisations have to diffuse, influence and impose such changes upon national states (Borins, 2002; Uddin and Hopper, 2003; Lapsley, 2008). This is why the reforms in the Greek public sector have to be understood in relation to the country’s participation as member state of the European Union, and in relation to the wider European social, political and economic context.

The term “Europeanisation” conceptualises the efforts made by successive Greek Governments towards the country’s economic and social modernisation according to the dominant paradigm of privatisation, deregulation and that of the single European market. The target of the stabilisation of the Greek economy, according to Maastricht criteria and its

¹ “The OECD (1994) has published examples of good practice, and the contention that effective performance is a sound basis for accountability... (Lawyon, et al, 2000:13)

subsequent entry into the European Monetary Union (EMU), were recognised as the main driving forces (Lyrintzis, 2006). Moreover, Europeanisation is viewed as *“a process of institutional and policy adaptation as a response to EU policies, but also as the process by which national policies are transferred up to the European level and become the objective of collective decision-making process”* (Paraskeuopoulos, 2006: 224). This approach demonstrates that the institutional adaptation and the reformation of national structures are preconditions for the country’s participation in the EU. Consequently a cause and effect relationship exists that drives institutional reformation in the member countries of the EU; a cause and effect relationship that facilitates the need for the formation of efficient multi-level governance in a multi-layered policy-making environment like the European Union (ibid). The following section outlines some key reforms in the Greek social context.

2.4. Reforms in the Greek Public Sector

The expansion of the public sector and its increased involvement in economic activity was a dominant trend in the European countries in the decades after the Second World-War. However after the 1970s, this trend was reversed and privatisation of public enterprises was the norm. Such strategies are held to be promoted by the ideological and economic concerns diffused by international agencies; a process that has been termed ‘modernisation via internationalisation’ or ‘imitation with integration’ (Liberaki and Tsakalotos, 2002: 93). The importance of this process, not only in terms of financial and economic change, but also in terms of social and political reconstruction, is encapsulated in the following statement made by the former Greek Prime Minister, Costas Simitis¹.

“... the first major issue is financial and economic globalisation. The structural characteristics of production and the traditional social model of organisation have changed dramatically. It becomes increasingly obvious that this course is not reversible ... however, that does not mean that we should accept fatalistically any development. New rules which will deter phenomena that threaten or undermine stability, growth and social cohesion have to be established. Only the European Union as a totality can mutually define such rules ...” (Simitis, 1996; trans.)

¹ Costas Simitis was Prime Minister of Greece and leader of the Greek Socialist Party PASOK (literally Panhellenic Socialist Movement) between 1996 – 2004

Since the 1990s, following the general trend of reforms in the public sector around the world, the then ‘conservative’ Greek government¹, and later PASOK’s ‘socialist’ governments, have introduced a number of schemes for the reformation of Greek public sector enterprises. The ensuing changes were the result of the influence exercised by a rationale favouring more accountable management, and of the demands of the European Union for the creation of competitive markets in economic activities provided by state monopolies (telecommunication, railway, public transport, electricity utilities).

“Governmental economic policy is based upon the privatisation of public sector enterprises and activities. Their operation within competitive markets will enforce the country’s economic development and it will result in increased efficiency” (Simitis, 1996; trans.).

The period 1996-2001 was a crucial one for the country as macroeconomic stabilisation became a priority for the Greek government of PASOK in order to meet the Maastricht criteria and to join the Economic and Monetary Union (EMU). The government saw the Greek public sector, which included banks, insurance companies, public utilities, the health sector and universities, as costly, overstaffed and inefficient. This inefficiency was perceived to be the outcome of the increased politicisation of the state-owned enterprises that had turned them into a mechanism, which served governments’ clientelistic relations with the electorate, and various interest groups (Burnes et al, 2004; Lavdas, 2006).

“Through dialogue, we have identified the multilateral weaknesses and the “sickliness” that characterize parts of what we define as wider public sector ... and more particularly the problems of centralism, bureaucracy, and favouritism, the cliental relations and the lack of infrastructure. It is common conviction that these weaknesses do not allow the public sector to fulfil the expectations attached to its role as a lever of growth. For this reason, we agree to promote a plan of reform and change, which should become the object of a wider dialogue and agreement that will ensure their effectiveness and prevalence through time” (Social agreement, 1996; trans.).

*“Reinventing the Government”*² became the main concept in expressing the need for less governmental intervention and increased competitiveness in economic activity. Such an

¹ The Greek conservative party New Democracy succeeded PASOK in government and remained in power for three years, until PASOK regained power in 1993.

² ‘Reinventing the government’ the title of the book by Osborne, D. and Gaebler, T. (1993)

orientation presupposes a different public sector; one that is more focused on the provision of services to customers, and the introduction of incentives for increased productivity, as well as the formulation of a new corporate culture for everyday action. As in other countries, privatisation and modernisation became the main objectives of the reforms, in an effort to reduce bureaucracy, favouritism and corruption, and to restrict the economic burden upon the country's national budget, caused by the public sector's inefficient operation (Alpha Bank, 2005).

2.4.1. Privatisation and Modernisation of Greek state owned enterprises

Through privatisation, the Greek government is attempting to transfer the ownership and the management of Greek public sector enterprises and utilities to the private sector. The strategy aims to deregulate markets which used to be controlled by state-owned monopolies. It is taken for granted that competitive markets and the private sector model will improve efficiency and service quality (The Bank of Greece, 2005).

However, it has been agreed that some companies will remain under state ownership¹ should increase their effectiveness and reduce the budgetary deficit that they create. For that reason, it is considered essential for radical reforms to take place that will modernise the operation of these organisations according to market criteria. It is also considered essential for state-owned-enterprises (SOE) to operate in competition with the private sector, having, as their main objective, the attraction of private funds. The main features of this process of modernisation are increased accountability and transparency, as well as the adoption of principles of corporate governance (Social agreement, 1996).

¹ That decision was the outcome of increased political conflicts and indicates the strong opposition that the process of privatisation faced in Greece. During the period 1990-93 when PASOK was in opposition, they opposed the privatisation of major state owned organisations that the conservative government of New Democracy attempted, accusing the government of a sell-out of national wealth. Thus, after 1993 when PASOK was returned to government, privatisation stopped being a governmental priority. Instead more emphasis was given to the reconstruction of state-owned organisations. The turning point in PASOK's governmental strategy was Simitis' election as the party's leader and as the country's Prime Minister. The strategy adopted was one of moderate privatisation, where the state retains management control in the major public-utility enterprises (Pagoulatos 2006: 137-144). An example is the case of the Public Power Corporation (DEH) and the Greek Telecom (OTE) (Burnes, et al 2004).

Act 2414, ‘Modernisation of Public Enterprises and Organisations’, was passed by the socialist government in 1996 in an attempt to modernise public sector organisations (DEKO). According to the proposal made by the Greek government, the main targets were DEKOs’ organisational and operational modernisation and the enforcement of managerial independence through the explicit definition of the relationships between the state (ministerial responsibility) and DEKO’s management. Following the spirit of the reforms in the public sector as defined by managerial accountability, the state is viewed as having the strategic role and responsibility for defining the macroeconomic and social framework within which DEKO will operate, as well as the responsibility for the evaluation and control of DEKO’s annual results.

According to the new legislation, the control and evaluation of organisational efficiency is based upon the existence of quantified targets defined by both DEKO’s operational plan and the managerial contracts that constitute the agreement between DEKO’s management and the state. In addition to the operational plan, every organisation has to prepare and publish annual ‘social balance-sheets’ that will disclose the cost of the provision of social services that burdens the state. The legislation also introduced criteria for choosing the management and the members of the boards of directors of these organisations, while it also secured the participation in the boards of directors of labour representatives as well as of the representatives, of social groups.

Strategic and operational plans as well as managerial contracts, were introduced in an effort to keep the management of public organisations accountable for their actions in terms of the utilisation of the resources entrusted to them and the efficiency of the services provided to consumers. The 2414 Act of 1996, together with the Act 3429 of 2005, ‘Public Enterprises and Organisations (DEKO)’, that later replaced 2414, were efforts to introduce a strategic dimension to the way that these organisations operate and are controlled (see table 2.1 which identifies the managerial accountability reforms and the amendments introduced to law 2414/1996 by law 3429/2005).

Nevertheless these organisations are still responsible for providing social services and for formulating their objectives according to the government's priorities and objectives. The industrial unions whose representatives participate in the formation of DEKOs' business plans also have a significant role in the process of modernisation. Reforms are considered to be subject to a wider social agreement that will secure social consent (Social agreement, 1996). In addition, organisational objectives must be in alignment with EU expectations, for the EU partly finances investments in these organisations, and it also exercises control over the efficient utilisation of European resources.

In summary, the reforms in the Greek public sector are driven by the rationale of managerial accountability, which is part of a wider agenda. However, despite expectations for increased accountability, studies of different social contexts show that management reforms has often reduced accountability rather than enhanced it (Humphrey and Olson, 1991; Hoque and Hopper, 1994; Sinclair, 1995; Goddard, 2005).

Table 2.1: Managerial Accountability reforms – Law 2414/1996 and law 3429/2005

Objectives	<ol style="list-style-type: none"> 1. Managerial Independence; 2. Operational and managerial modernisation towards financial effectiveness; 3. The state remains the obligation to formulate the general strategic objectives; 4. Operational and strategic plans are approved by the government, whilst the quantified indicators incorporated in the managerial contract are used by the government for the company's substantial control; 5. The company within the framework of the common agreed targets has the necessary independence; 6. The annual 'Social Balance Sheet' makes governmental obligations transparent. The main target is to secure managerial stability and efficiency. For that reason management has to be selected on the basis of CEO competence and not on the basis of his political beliefs. 	<ol style="list-style-type: none"> 1. Efficient process for the development and monitoring of the operational planning; 2. Managerial and Operational modernisation according to corporate characteristics; 3. Modernisation of the employment rules; 4. Application of corporate governance principles
Strategic Plans (SP)	Within the framework of the general governmental policy SP defines company's long-term objectives	No changes

Table 2.1 continues

Operational Plans (OP)	OP define company's short and medium term plans (3-5 years). In each OP are defined: 1. The monetarist value of objectives 2. The time needed for their implementation; 3. The means and the cost of implementing the objectives; 4. The steering mechanisms	No changes
Internal Control		Independent executives; 1. Monitoring of the internal regulations; 2. Monitoring and reporting conflicting interests of the members of the BoD
Management	1. Board of Directors (BoD): It has the responsibility for the company's strategy. In the BoD participate state's representatives (the Chairman and the CEO included) two employee representatives and one representative of the Social and Economic Committee; 2. CEO: Is appointed by the government; 3. Executive Board: the objective is to succeed the necessary managerial integration and coordination. In the board participate the Chairman, the CEO and Executive managers of each business unit. 4. As Executive managers can be appointed managers from the private sector as well	1. The law foresaw the participation in the BoD of non-executive independent managers 2. The law did not foresaw the Executive Board, which it was abolished
Managerial Contract	Between the Chairman of the BoD, the CEO and the Minister of Finance and Transport. It defines: 1. Managerial objectives; 2. The performance indicators; 3. Managerial compensation 4. The BoD at the end of each financial year evaluates managerial performance and provide the necessary accounts to the Ministries of Finance and Transport	
Governmental approval	SP and OP are the subject of government's approval (common decision of the Minister of Finance and the Minister of Transport)	The law established a committee with representatives of the Ministries of Finance and Transport, responsible for the approval of OPs
Responsibility to the customers	<ul style="list-style-type: none"> ▪ The company has to disclose its obligations towards customers; ▪ It has to develop indicators that monitor the efficiency of customers' services 	Similar to 2414

2.5. How rational are public sector reforms?

Within the framework of managerial accountability reforms the notion of accountability is understood as the outcome of a hierarchical process based upon the assumption that superiors have the authority in terms of rights and power to keep subordinates responsible for the rationality of their actions (Berry, 1989). In hierarchical structured social contexts, accountability becomes an instrumental relationship in which management accounting techniques are regarded as systems of organisational communication that have a central role in organisational and social affairs, (Willmott, 1996; Dillard and Ruchala, 2005). Reflecting that rationale, reforms in the public sector impose on formal organisational control structures the adoption of management accounting and organisational control mechanisms, as essential parts of their ongoing accountability relationship. Technical mechanisms of control are seen as accommodating and expressing expectations that shape human action and behaviour (Miller, 1992)

However as *“March and Simon long ago stated no action can ever be as rational as it is in theory, but for many public sector management reformers, NPFM¹ has become a super-rational means to achieve cost-efficiency savings and effectiveness improvements”* (Olson, et al, 2001). Furthermore, a variety of conclusions exist about the efficient implementation of such reforms in different countries (Verbeeten, 2008; Broadbent and Guthrie, 2008). As Lapsley (2001) argues, these studies show evidence of attempts at change, rather than actual results.

2.5.1. The consequences of normative approaches upon accountability

The first issue to emerge is that the reforms of the accountability relationship in the public sector attempt to *“supersede other forms of accountability”* (Sinclair, 1995:219). Sinclair (1995) characterises accountability as ‘chameleon’, multiple and fragmented, continually being constructed. Managers in the public sector consider themselves accountable to a number of groups such as professional peers, administrative hierarchy and employees, government and governmental agencies, the public and the customers (Goddard, 2005). Sinclair (1995) claims that no evidence is provided that will support the effectiveness of

¹ New Public Financial Management.

trying to solve the ‘problem’ of multiple accountabilities that face public sector managers by imposing tighter requirements for managerial accountability. In addition focusing on financial issues distract from fundamental issues in the provision of public services (Willmott, 1996; Shaoul, 2006). As Sinclair suggests “*such efforts assume that accountability can be delivered, like a product batch*” (Sinclair, 1995: 233).

The linking of the accountability relationship to financial and managerial objectives contributes to the creation of a self consciousness such “*that accountability has a key role in making the self visible, both to self and others*” (Roberts, 1996:41). Visibility in organisational life can be understood in terms of making certain aspects of agents’ action visible whilst other dimensions remain invisible. What is perceived as important is defined according to conventional terms that are “*abstract and conceptual phenomena, creations of human intellect forged and shaped by economic, social and institutional forces*” (Hopwood, 1988: 9). Visibility can have both positive and negative results, a conclusion that generates contradictions over the utilisation of management and financial accounting technologies.

The positive effects from the use of accounting technologies emerge, for example, in their role as instruments of capital asset utilisation, in the sense that increased visibility enables “*a greater awareness of assets*” (Lapsley, 1999: 204) owned by state-owned organisations whilst, the application of modern investment appraisal and asset evaluation techniques enforce their efficient management (Aidemark and Lindkvist. 2004). The negative effects may occur when accounting is mobilized “*as part of the rhetoric of the rationalized, modernised public sector*” (Lapsley, 1999: 204) and is implicated in politics of certain groups that aim to render certain aspects of business organisations visible whilst other remain invisible.

“It is possible to probe into what a particular organisation seeks to make visible by its accounting ... Moreover, by making some things visible and other things not, an organisation can strive to exclude particular visibilities from the official organisational agenda. What, we can ask, is treated in this way, and why? And which groups have the power to influence the patterns of visibility prevailing in the organisation? What bodies of knowledge and sets of organisational practices are involved in making some things visible and other things not? (Potter, 2005: 268)

As in the case of the private sector reforms in the public sector and the rationality imposed by them, attempt to delimit the accountability relationship, between the parties that participate in the contractual relationship namely the principal (in the case of the public sector the ministers) and the steward-manager of state-owned assets, who represents the public organisation. The model assumes divergent and conflicting interests between the principal and the agent. Thus, the aim of managerial performance objectives, as these are described in managerial contract and influence business and operational objectives, is to reduce the information asymmetry between the agent and the principal (Mayston, 1993). According to the foundations of Agency theory (Jensen and Meckling, 1976) increased managerial accountability will result in greater efficiency in assets utilisation and will offset the increased costs generated from principal's decision to abolish his right to manage the capital assets he owns.

Thus, the shift from a legal form of accountability to performance accountability and at a later stage to strategic accountability is a shift towards a tighter form of control since its target is to bring agents' behaviour in line with principals-politician's expectations (Broadbent et al. 1996; Llewellyn and Tappin, 2003; Goddard, 2005; Broadbent and Guthrie, 2008). For that reason the introduction of corporate planning as an accountability mechanism (as in the Greek case) can be conceptualised as a process of evaluation of managerial activity against predefined performance standards, since government ministers, who exercise control, have the ability to define corporate goals according to their political objectives.

As a result executives in public sector organisations enter into commitments without having examined all the alternatives. Such decision making procedures are characterised by *"selective visibility and an art of impression"* (Lioukas, 1985: 953). For that reason, as literature indicates, the use and role of management accounting control technologies in state-owned enterprises, and more importantly the use of budget planning, aiming to monitor the effective utilisation of financial resources is undermined. As Humphrey and Olson (1995) point out, reforms in the management of public organisations and the use of performance measurements have been mainly used to manipulate the effectiveness delivered by public organisations and to support desired organisational or political outcomes. Management

control systems shift away from the control of input and it is directed towards management of performance and desired outputs (Broadbent and Guthrie, 2008). Consequently, the use of accounting for accountability purposes “*reduces accountability to the management of expectations*” (Sinclair, 1995: 233) with negative effects on inner organisational dialogue. According to Townley (2003), NPM reforms in local governments in Alberta, Canada, were initially seen as an opportunity for public consultation and dialogue over the formation of objectives and targets as well as the development of technologies that will keep professionals more accountable to the public. However, middle managers saw these mechanisms as delimiting their role in decision making and promoting instrumental rationalisation, whilst at the same time their use as accountability mechanisms was undermined.

“Technical inquiry soon overshadowed deliberation about values and identities... participation was carefully managed to marginalize many voices ...” (Townley, 2003: 1067).

As a consequence, instrumental accountability mechanisms tend to fail to integrate diverse expectations and interests and while they have been “*introduced with the potential of enmeshing reasoned justification, these technologies (accountability reports, business plans and performance measurements) simultaneously work toward a dominant instrumental rationalisation*” (Townley, 2003: 1064). Managerial accountability reforms are mainly perceived by managers as increasing control and stewardship rather as enforcing accountability with reference to future planning. Accountability is seen to be enforced “*by the budget system which accords with core values of service delivery*” and not by new public management reforms (Goddard, 2005: 211).

For those reasons reforms fail to constitute frameworks of organisational cooperation and coordination that will enforce accountability and the formation of organisational goals. The disintegration of managing accounting techniques from the on going managerial and operational action is discussed in the coming section

2.6. De-Coupling

As Hoque and Hopper argue, “*wider social, economic, political and institutional contexts govern the way management control operates in the organisation*” (Hoque and Hopper,

1994: 5). Using a Jute mill in Bangladesh as a case study, they emphasise the influence of the political institutions on everyday organisational activity in state-owned organisations. They argue that in contexts where management control is perceived as a political and social phenomenon rather than mechanisms of rational decision-making, instrumental mechanisms of organisational control such as budgeting and financial reporting systems are primarily used for legitimacy purposes in the face of external demands (Hoque and Hopper, 1994: 25; 1997).

“Decoupling¹ can be defined as the process of disintegrating the structural elements of different parts of the organisation in response to institutional pressures to comply with inconsistent norms” (Brignall and Modell, 2000: 290; Dillard et al, 2004; Nor-Aziah and Scapens, 2007). There are a number of different explanations as to why decoupling as a phenomenon occurs. According to Meyer and Rowan, the formal structures of many organisations reflect the “*myths*” of their institutional environment instead of their organisational needs (Meyer and Rowan, 1977: 341). *“Decoupling enables organisations to maintain standardized, legitimating, formal structures while their activities vary in response to practical considerations”* (Meyer and Rowan, 1977: 357). As DiMaggio and Powell (1983) further argue, ‘Institutional Isomorphism’ explains the structural similarities appear in contemporary business organisations. Isomorphism as they emphasise, is not the result of a rational choice aiming increase financial efficiency, but rather it is the outcome of the need of business organisations to secure legitimacy within the social environment they operate, and upon which they depend in order to secure the necessary financial resources (DiMaggio and Powell, 1983; Scott, 1991; Mizruchi and Fein, 1999; Dillard et al, 2004).

¹ At this point it has to be emphasised that the term loosely coupled systems introduced into the literature of organisational theory by Weick (Nor-Aziah and Scapens, 2007). Following Weick’s (1976) view, loosely coupled organisational systems can have certain advantages related to their ability to persist to environmental pressures and to better understand and incorporate structural elements existing in the wider institutional environment. In relation to tightly coupled systems, loosely coupled ones can have more operational diversity and allow self determination (in the sense that an organisation does not have to respond to each little change occurs in institutional environment) and for that reason they are relative inexpensive to run and control. In loosely coupled organisational systems less necessity for coordination exists, a condition that results in less conflicts and contradictions (Weick 1976: 6-8).

Formal organisational structures adapt to the expectations and rules imposed by the external environment, but actual process and inner organisational actions remain unchanged (Covaleski, et al, 1993). Hence, decoupling within the framework of 'Institutional Isomorphism' is seen as the result of the strategic choice (self-interested) made by organisational agents in order for them to accommodate and manipulate the pressures exercised by the institutional environment (Fernandez, et al, 1999; Dillard et al, 2004). Furthermore, decoupling is seen as the result of the efforts of organisational managers to avoid the inspections and controls by external constituents. Thus, formal structures are seen as adapting to technical rationality in order to manipulate expectations and to gain legitimacy (Meyer and Rowan, 1977). For that reason the introduction of management accounting techniques and the process of organisational change are regarded as an effort by public organisations to gain external legitimacy rather than trying to alter the way that organisational actors interact and provide accounts for their actions in their everyday organisational conduct.

Such an assumption is based upon two main arguments: the first is the division of organisational systems between technical and institutional environments (Meyer and Rowan, 1977), while the second is that organisational actors passively comply with the expectations imposed by the external environment. Manipulation as a cause for structural decoupling is a central idea within these frameworks of analysis (Hasselbladh and Kallinikos, 2000). However, the idea of passiveness is criticised by other authors who consider that agent managers can be proactive in balancing conflicting interests. According to Brignall and Modell, (2000) decoupling occurs when an increased reliance on financial performance measurements fails to accommodate the expectations of organisational actors-professionals, who produce and reproduce organisational knowledge upon which organisational systems are based. In that case, decoupling is the result of the conflict between the increased powers assigned to managers and the power, in terms of the knowledge that professionals possess, which allows them to resist financial and managerial forms of organisational control. Decoupling as an organisational phenomenon emerges from the conflicts and loss of legitimacy from the attempt to control and coordinate activities. Hence, in decoupled organisational structures, control and performance evaluation have a minor role to perform,

and performance measures fail to become part of an integrative control system, linked to the strategic objectives, that will balance and express the expectations of the different institutional groups that have an interest in organisational operations (Scott, 1995; Lawton, et al, 2000; Nor-Aziah and Scapens, 2007).

The use of institutional isomorphism ignores organisational complexities and it also ignores the fact that structures are not static but are subject to change, due to agents' interaction and interdependence. As a consequence, changes in formal structures affect social forms of accountability and vice-versa. The main problem with that theorisation is that it disassociates the characteristics of the diffused MA techniques and performance evaluation mechanisms, from the forms and patterns they adopted from particular organisational and social contexts. Such a framework is not adequate to explain the differences in the implementation of changes in formal organisational structure between different countries, since it fails *“to address the relations between established practises, dominant ideals, discourses and techniques of control”* (Hasselbladh and Kallinikos, 2000: 715).

An approach that addresses this problem by utilising in its analysis the relations of power between the various institutions and business organisations has been developed by DiMaggio and Powell (1983; 1991), in which they suggest that different agencies can be a source of coercive pressure (DiMaggio and Powell, 1983; Ribeiro and Scapens, 2006; Modell, 2006). As Lawton et al (2000) demonstrate in their study, in the UK public sector, managers perceive the influence of the institutional environment, and mainly the influence exercised by the legislation and the government, as critical in the formation of performance standards. From this point of view, decoupling emerges as the loss of confidence of operational managers in organisational objectives that are considered to be externally imposed and inconsistent with organisational needs.

The comparison between public sector reforms in the UK and Sweden shows that in countries with a history of less coercive change, such as Sweden, less conflict exists between funding institutions and organisational actors, management of SOEs has more decentralized powers and as a result it has the ability to choose performance measurements and control

systems that can accommodate the expectations of a wider number of institutional factors (Lawton, 2000; Laegreid et al, 2006). In contrast in the UK, it appears that the government leaves organisational actors little space to choose the instrumental mechanisms most suitable to their needs and imposes the uniform implementation of financial and managerial control mechanisms - an attitude that leads to decoupling (Brignall and Modell, 2000).

More dynamic approaches to institutional change recognise explicitly the relationship between changes, organisational roles and techniques of control, and their analysis attempts to identify the interplay between management, and the organisational and institutional environment. During the process of transformation, instrumental forms of control can have a central role in transmitting the rules and the meaning of organisational conduct and change (Hasselbladh and Kallinikos, 2000: 715). Thus, what is seen to be important is the utilisation of instrumental mechanisms to develop competency and trust between organisational actors, which in turn permits the efficient implementation of organisational change. The recognition of mutual competency and trust between organisational agents facilitates the *“acceptance and progressive sharing of new rationalities among professionals with different backgrounds and with different degrees of knowledge”* (Busco, et al, 2006: 37). Yet, such a relationship is only possible through co-operation within common practices (Johansson and Baldvinsdottir, 2003; Busco, et al, 2006; Ahrens and Chapman, 2007). For that reason reforms in the public sector need to promote trust and cooperation rather than opportunism and self interest behaviour that constitute the substance of the managerial accountability reforms in the public sector (Lyberaki and Tsakalotos, 2002).

As Ribeiro and Scapens (2006: 105) support, the reason for the emergence of decoupling is that these instrumental mechanisms *“were implicated in the strategies of power of a specific group of key organisational actors – the managing director and his key allies”*. As a consequence, instead of operational and strategic plans in the public sector being used as accountability mechanisms, providing reasons for justification of decisions and the formulation of strategic objectives, they become mechanisms of power, imposing a particular rationality that alienates organisational managers from the scope and objectives of the SOE (Townley, 2002; Townley, et al, 2003).

The importance of managers' participation and cooperation in the reform process in the public sector is evident in a comparative study of the application of management accounting practices, in the local governments of Scotland and New Zealand. Lapsley and Pallot (2000) observe that the managerial role has been critical to the integration of management accounting techniques into the everyday accountability relationship, and also illustrates the differences in the empirical implementation of new accounting methods in the two countries. Such action, though, is enabled or hindered by the coerciveness of the institutional environment and is contingent upon local politics and the strategies of governing elites (Cheung, 2002; Uddin and Hopper, 2003; Laegreid, et al, 2006)

The particular qualities and implications characterise the Greek social context are discussed in the following section.

2.7. Characteristics and implications in the Greek social context

Seeking an answer to the question: *"why has accounting not been used in certain public bureaucracies as much as it might"*, Ballas and Tsoukas (2004: 661) argue that in the Greek public sector, accounting has played a marginal role in its development, due to the historically high politicisation, *"bureaucratic, clientelistic-cum-populist... and particularistic-cum-personalistic culture"* (Ballas and Tsoukas, 2004: 665) that characterise the organisation of the relationships between individuals and collectives (Mossialos and Allin, 2006).

Focusing on the Greek National Health System, Ballas and Tsoukas (2004), regard as critical for the lack of modern accounting systems, the dominant role of Doctors' Union and the lack of independent managerial elite. Accounting techniques and the accompanied values (abstraction, objectivity, standardisation and rational calculation) tend to be underestimated, *"since [accounting] is in conflict with the established logic of the system"* and the various individual and collective interests (Ballas and Tsoukas, 2004: 684). As they argue, in highly politicised social systems like the Greek one, accounting has a limited contribution in the formulation of trustful and legitimate relationships. The legitimate role of administrative management is not based on the evaluation of individual performance and competence, but

rather upon political status secured, by the close ties between the Greek political parties and the administrators of state owned organisations.

The taken-for-granted perception of the technical characteristics of accounting as a mechanism that promotes objectivity and rational calculation, lead Vallas and Tsoukas (2004), to conclude that the inability of the Greek public sector to apply accounting techniques, is the outcome of the fact that *“the Greek socio-political context has historically privileged local values and the familiar over the universal and the abstract”* (Ballas and Tsoukas 2004: 686). However, such an argument presupposes the disassociation of the implemented managerial accountability reforms, from their neo-liberal ideological origins and the effort to deregulate markets, and the potential social implications emerging from symbolisms assigned to managerial role. Moreover, it seems to overcome the results of studies that indicate that the *“dichotomy”* between managers and health care professionals in the UK hospitals, is seen as the main reason why NPM reform (accounting techniques being at the centre of the reform) face difficulties in their application (Lapsley, 1999: 204).

The lack of the use of accounting techniques in the Greek public sector is discussed in Venieri's and Cohen's (2004) study. As they argue the only form of accounting used by Greek Universities, is cash-based budgeting. Even then, as the authors point out, *“budgets do not reflect clear and measurable goals”*, since they are the outcome of a bargaining process between the Universities and the Ministry of Education (Venieris and Cohen, 2004: 186). Although, it is their responsibility, many Greek universities fail to apply the accounting double entry bookkeeping system and to publish annual balance sheets. As a consequence the 67.60% of their operating expenses, financed by public subsidies, are not disclosed (Papadeas, 2008).

The multiple interests involved in the production of public policy in Greece have resulted, in the reforms in the Greek public sector failing to make major changes, or to improve cost efficiency and the effectiveness of resource utilisation (Mossialos and Allin, 2006). The various parties involved in the operation of the Greek Universities, as well as the overlapping authorities between the Ministries of Finance and Education, the lack of financial and human

resources, the bad planning, and the lack of commitment, emerge as the main reasons why the rationalisation of managerial and financial control mechanisms in the Greek universities, and the application of accrual accounting, faded out (Venieris and Cohen, 2004). Contradicting the conclusion reached by Ballas and Tsoukas (2004), the reason behind the failure of reform, in the Greek social context and elsewhere, is deemed to be the implementation of a global model of public administration similar to that of the private sector in the English spoken countries, which is however, “*different in constitutional structures and conventions, size, political culture, ethos and available technology or skills*” (Venieris and Cohen, 2004: 201) from the Greek administrative model.

The administrative model of managerial accountability is foreign to Greek corporate culture. Indicative of that is the fact that, while the Greek listed (private and state-owned) enterprises claim that they tend to comply with the requirements of Law 3016/2002 (“Principles of Corporate Governance”), they do not in practice apply the principles of corporate governance (Kazas and Refenes, 2005 and 2006). The paternalistic characteristics of the Greek corporations are perceived to be the main reason why they are not familiar with the use of instrumental forms of accountability. The Greek private sector is characterised by the high concentration of capital ownership. The majority of the Greek private enterprises are family businesses. In six out of the ten companies listed in the Athens Stock Exchange (ASE), the Chairman and the Chief Executive is the same person; and in cases where they are different persons, they are linked with family ties that secure the necessary trust in the management of Greek corporations.

Critical to the emergent implications for the Greek social context, is the argument that the Greek public sector has a limited experience in participative management schemes, the emergence of which is associated with the growth of the labour movement and the democratisation of the political and social institutions that took place in Greece, during the 1980s (much later than other European countries). In comparison with other European countries that have employed advanced managerial participation schemes, often with positive results, the application of similar managerial systems in Greece, have generated highly debatable and contradictory results (Papoulias and Lioukas, 1995). Such diversities in the

social contexts make the transfer problematic (Lyberaki and Tsakalotos, 2002). Managerial accountability reforms in the Greek public sector “*conceived a narrow frame, with little investigation of the effects of its application on the organisations involved and without profound reference to the problems and the contradictions that might occur... the new system [NPM] never gained the necessary confidence that could facilitate its implications*” (Venieris and Cohen, 2004: 201).

The lack of necessary resources and the underdevelopment of social capital, which is characterised by the absence of formal and informal regulations that would foster and sustain trust and cooperation, is seen by Lyberaki and Tsakalotos (2002) as the main reasons why subsequent reforms in the Greek public sector faded out. Relationships between the various interest groups and collectives have been characterised by mutual suspicion over the objectives of the reforms and the interests they have come to serve (Lyberaki and Tsakalotos 2002). Such distrust among the various parties is the outcome of the coercive influence of the governments’ intervention in the organisational activity of state-owned enterprises and the formation of strategic objectives (the scope of enterprise activities). The intervention of the Greek government traditionally has been associated with asymmetries of power and the lack of collective decision making which “*implies the reproduction of a pattern of power relations which relied on a specific system of relations between political institutions and interest groups: a system marked by weak state capacities and asymmetrical penetration of state structures by various interests*” (Lavdas, 2006: 89). Consequently the role of the administrative managers in Greek state-owned organisations is seen to be constrained by the strategies that the various interests groups follow, in order to achieve their objectives or even worse, they tend to be identified as the ‘Trojan Horse’ of those interests within the context of state-owned enterprises.

Indicative of the lack of social dialogue in the Greek social context and of the emergent conflicts, is the critical role in the process of managerial modernisation of the Greek state-owned enterprises, of consultants. In the case of the Greek Universities the modernisation of the accounting procedures, was not carried out by universities’ personnel and managers (the parties directly involved with the management and operation of the Greek Universities), but

rather by appointed consultants, whose participation was seen as a necessity for the promotion of the necessary changes. In reality their expertise aimed at *“legitimizing decisions and seizing opposition from other parties”* (Venieris and Cohen, 2004: 188). The modernisation project of Greek state-owned enterprises failed to secure the necessary acceptance and to introduce necessary changes. For that reason in an effort to overcome the lack of justifications, the “Modernisation” project in the Greek public sector was reduced to that of Europeanisation (Lyrintzis, 2006: 29). It was a conscious choice made by the ‘governing elites’ for the project to gain the necessary legitimacy and the crucial coalitions to be formed in order that the European objectives be realised and the institutions, coercively adapt to the European ideal (Lavdas, 2006).

The emergence of planning and performance activities in the Greek public sector, and elsewhere has to be understood in relation to the particular characteristics of the context in which they are introduced and moreover on the conflicting effects that the expectations of local and global institutions have upon the way that individuals understand their role in relation to the others, within organisational systems (Covaleski and Dirsmith, 1990). Thus, ongoing organisational reality cannot be perceived as objective and rational (Bogt and Jan van Helden 2000). By emphasising the way that management accounting techniques *“are both constituted by the context and are constitutive of the context”* (Broadbent and Guthrie, 2008: 152) and by having the role of administrative management at the centre of the analysis, a more dynamic approach to the study of the accountability relationship in the organisational systems is adopted. For that reason the study of accountability relationships emphasises the way that management accounting mechanisms embed in the social and organisational reality (Modell, 2004: 40) and upon the role of organisational agents in relation to their institutional environment.

2.8. The need for a new approach to accountability

What is crucial to the notion of accountability is the “alignment of organisational rhetoric, and practice with wider public discourses¹” (Ahrens, 1996: 168) that influences the individual’s role and shapes accountability relationships according to the techniques (e.g.

¹ As Ahrens (1996) emphasises, accountability *“is characterised by contemporariness and public appeal”*.

performance measurement) that accompany these frameworks (Hasselbladh and Kallinikos, 2000). ‘Accountable management’ reforms are perceived not as a mechanism of instrumental change, but as an activity introducing a new rationality into the structural elements of the public sector (Meyer, 1998). Common-sense understandings of managerial authority cannot be accepted uncritically if the significance of them in the formation of organisational accountability relationships “*within particular power-knowledge relations*” (Willmott, 1996: 25) is not justified.

Accountability is defined by the context within which an organisation operates, and as a result it expresses the dynamics of that social context. The use of accounting for accountability purposes becomes relevant only when organisational actors can understand, interpret, and perceive as reasonable the meanings conveyed by accounting technologies. “*Those reasonable accepted ways make out an organisation’s style of implicating accounting into process of accountability*” (Ahrens, 1996: 168). The proliferation of instrumental forms of control might lead to ‘failing accountabilities’ if these are unsuccessful in aligning roles and relationships, and if they give organisational actors no legitimacy or power to change the way that they perceive organisational action and the accountability relationship (Hasselblach and Kallinikos, 2000).

Managerial accountability reforms and the use of accounting technologies attempt to demonstrate and hence to promote the responsible and efficient utilisation by management of the resources entrusted to public organisations. Monitoring mechanisms are employed in a way that serves the interests and the role of the state and the paternalistic structure of power relations between SOEs and governments. “*The gap between the introduction of new accounting techniques and their actual usage*” (Bogt and Helden, 2000: 277) can be understood as the outcome of the effort made by the principal-government “*to secure total submission of the agent*” and the ability of the latter to make alternative choices of action, a result which introduces “*a vicious cycle of control and deceit*” (Willmott, 1996: 32).

An alternative to that problem is to rebuild respect, in terms of competency and trust that will secure the use of formal organisational structures as a means that will enforce inner

organisational dialogue and interaction (Johnson, 1996; Busco, 2005). These will result in common understandings of the meaning of organisational action and organisational performance (Sinclair, 1996). Trust, a dimension of the accountability relationship that has not been adequately discussed in the literature (Laughlin, 1996; Busco, 2005; Ribeiro and Scapens, 2006), is a condition mainly built upon practices generated by the members of an organisational system during ongoing organisational interaction. It is also considered to be restricted by the application of universal principles (Jonsson, 1996).

2.9. Conclusion

The present chapter attempted to make familiar the reader to the foundations of managerial accountability reform in state-owned organisations. The chapter discussed the reasons that NPM reform emerged in the context of state owned organisations, and more particularly in the context of the Greek public sector. The literature review aimed to critically assess the application of reforms in the various social contexts and to identify potential implications and contradictions in the formulation of accountability relationships. A third objective was to address the implications of such reform in the context of the Greek public sector, and to depict the factors that restrict the efficient incorporation of accounting technologies that constitute the core of NPM, in the context of state-owned enterprises.

It was argued that NPM is a global paradigm applied in different countries with diverse characteristics, aiming increase accountability and efficiency in the management of state-owned organisations. Within the framework of NPM reform, accountability relationships are seen as a mechanistic approach to organisational relationships that are defined by the responsibility of managers to provide information for rational decision making (Puxty, 1993).

However, it was made apparent that various institutions affect the management of state-owned enterprises and influence the formation of accountability relationships. The application of accounting techniques is related to a political process. Administrative managers as a dominant organisational role, implicate management accounting in their effort to promote their strategies and to establish their authority within state-owned organisations. Participation in state-owned organisations is marginalised and as a result managerial

accounting techniques disintegrate from the every-day managerial action with administrative management not having the adequate capacity to control and coordinate the operations of state organisations.

The implications in contexts like the Greek one become even more apparent. Managerial accountability reforms applied in a context that traditionally is characterised by the lack of participative managerial schemes and the absence of social dialogue. The lack of institutions that will foster trust and cooperation between organisational actors and organisational actors and the institutional environment is examined as the critical reason why managerial accountability reform in the Greek public sector faded out.

The elaboration of ‘Structuration theory’ that follows in the next chapter, allows us to shift the focus of the study of accountability relationship beyond the purely technical to encompass the concepts of power, trust, responsibility and dialogue.

3. Chapter - The concept of accountability within the framework of Structuration theory

3.1. Introduction

The ability of organisational actors to influence the meaning of organisational action, discussed in the previous section, introduces the need to clarify how actors and structures interrelate in the production and reproduction of organisational knowledge and how they order and affect the meaning of the accountability relationship. The elaboration of structuration theory (Giddens, 1976; 1979; 1999; 2002), allows a conception of operational and strategic plans as properties of organisational interaction upon which organisational actors draw in order to formulate and rationalise the meaning of organisational action and thus, accountability relationships (Mackintosh and Scapens, 1990).

The utilisation of strategic and operational plans as patterns of organisational integration intended to transform the context of public sector organisations cannot be perceived to be independent from the relations of power existing in the organisational as well as in the wider social contexts (Uddin and Tsamenyi, 2005). Thus, the elaboration of structuration theory additionally, offers a wider analysis of the changes that take place in social systems and how these affect state owned enterprises (Conrad, 2005).

The aims of the present chapter are:

1. To develop the theoretical framework underpinning the current analysis and to provide a theoretical understanding of the concept of accountability within the framework of Structuration Theory;
2. To describe the research strategy and methods used to accomplish the research objectives.

For that reason the following chapter is divided in two main sections: research methodology and research methods.

3.2. Structuration

‘Structuration’ theory views organisations as social systems produced and reproduced through ongoing interactions underlined by common norms and rules that constitute organisational knowledge¹ (Giddens 1976, 1979, 1999, 2002; Roberts and Scapens, 1985; Mackintosh and Scapens, 1990; Scapens and Mackintosh, 1996; Boland, 1996; Parker, 2000; Conrad, 2005). Central to structuration theory is the notion of social structure. Structures refer to the structuring properties (norms, rules and resources) that bind the transformation of social systems in time and space. That means that the existence of structural properties makes possible the formulation of patterns of social action that exist across time and space and define a social system. Consequently, social systems as reproduced social practices reveal the elaboration of certain rules and resources. The most deeply embedded structural properties implicated in the reproduction of social systems are the institutions (Giddens, 1999).

The importance of structuration theory lies with the use of the concept of duality, which Giddens uses to establish the interdependence between structures² and agents’³ action. Duality is used by Giddens in his effort to overcome the concept of dualism according to which ‘Object’ (structures) and ‘Subject’ (human agents) are in conflict and mutually excluded. According to duality of structure, the rules and norms are both the medium and the outcome of human action and this is why the constitution of agents and structures cannot be perceived as two independent phenomena. This is where structuration theory differentiates from functionalist and structuralist approaches that regard that structures exist, external to human action as a source of constraint (Scapens and Mackintosh, 1996).

In functionalist tradition structures are perceived in a mechanical way as some kind of patterning of social relations represented as a “*visual imaginary, akin to the skeleton or morphology of an organism*” [for example the organisational chart-flows] (Giddens, 1999:

¹ That is, how things should be done.

² “Anything can be considered as structure provided it is conceptualised as composed of relations of parts” (Parker, 2000: 6)

³ Agency refers to the actions taken by individuals under particular social circumstances. The importance of that proposition is that it introduces acting in an existentialistic way that means that agents could have acted otherwise, according to alternative choices (Mackintosh and Scapens, 1990).

79). In contrast Structuration Theory contends that structure only exists paradigmatically in the constituting moments of social systems: a) as knowledge (memory traces) that defines human conduct, b) as recursive mobilisation of knowledge and c) as capabilities that the production of social interaction demands (Giddens, 2002: 236).

In order to understand how knowledgeable actors and social structures interact, Giddens proposes three dimensions of social structure upon which actors draw for their actions; those of ‘signification’ (communication of the meaning)¹, ‘legitimation’ (morality)² and ‘domination’ (power)³ (Mackintosh and Scapens, 1990; Barley and Tolbert, 1997; Dillard et al., 2004). The importance of that distinction lies in the way that knowledge is communicated to agents through the use of interpretive schemes, rules and norms that affect the way actors understand the meaning of organisational conduct and formulate their aims and targets (Giddens, 1979; Scapens, 1994).

Following Mackintosh and Scapens’s (1990) argument, management accounting techniques can be understood as:

1. *“Interpretive schemes which management uses to interpret past results, take actions, and make plans,*
2. *Norms which communicate a set of values and ideals about what is approved and what is disapproved, and*
3. *Facilities which managers at all levels use to coordinate and control participants”*
(Scapens and Mackintosh, 1996: 680)

“Although separable analytically” structures of signification, legitimation and domination *“are inextricably linked”* (Macintosh and Scapens, 1990: 457). This means that the level according to which the meaning of organisational action is socially constructed determines

¹ Signification is based upon interpretive schemes in the communication of the meaning of every-day organisational interaction

² Communication of the meaning within structures of legitimation is based upon the utilisation of norms and moral codes which sanction particular behaviours.

³ Domination as structures of interaction is based upon the procession of power to distribute organisational resources. Such power is distinguished between the power to allocate materialistic resources and the authority to organise and coordinate organisational activities.

the moral principles that “give legitimacy to certain actions of organisational participants” and as a result it justifies their authority to keep others accountable for their actions (ibid).

The same stock of knowledge that actors use to draw upon for their actions is also used by agents to provide justification for the purpose of their actions. Thus, it derives that the notion of accountability is contingent upon the structures of signification, legitimation and domination that define organisational action. In structures of domination, accountability is defined as the power that an agent has to keep other members of the organisational system accountable for their activities. However, acknowledging that the reproduction of organisational systems is the outcome of a social process of interaction and mutual understanding¹ makes the notion of accountability relevant only in the social structures of signification and legitimation (Macintosh and Scapens, 1990).

The concept of accountability relationships within the framework of Structuration theory is discussed in the subsequent section of this chapter.

¹ The argument that the members of an organisational system, share common meanings and mutual understandings in the process of the structuration of organisational relationships, as that appears in the analysis made by Mackintosh and Scapens (1990), is challenged by Bollard (1996). Common meanings and collective action constitute a methodological problem in the framework of Structuration analysis (Cohen, 2000: 97). Thus, Bollard (1996) rightly argues that within the framework of Structuration Theory, coherent interpretations of management accounting cannot be assumed. As he argues, common stock of knowledge shared by the members of an organisational system is not used, in the production of shared meanings; they are used by organisational actors in order to make themselves accountable to self and others. The purpose is one to construct a self image of a competent and rational agent, acknowledged by the other members of the collective. However, while social reality, cannot be seen as common interpretation, nor can agency be seen, as the centre of social/organisational analysis (Calhoun, 2002: 222). Consequently, arguing that “*management accounting reports mean what readers of them make them mean*” ... as Bollard (1991) does, [the researcher appear] “*to privilege agency over the structure*” ... [However] *in structuration theory agent and structure presuppose one another*” (Scapens and Mackintosh, 1996: 680). The ongoing reproduction of social life presupposes skilled individuals that cannot act without drawing upon collective interpretive schemes (Calhoun, 2002: 223). For that reason the present thesis adopts Mackintosh and Scapens (1990) argument over the use of management accounting as an additional (among others) interpretive scheme, in the construction of shared meanings in the process of the reproduction of organisational relationships. This is a valuable argument in the understanding of the reasons why certain management accounting practices were enacted in the managerial and operational process in the public sector.

3.3. Accountability relationships in day-to-day organisational interrelationships and rationalisation of the action

The way that agents act in their everyday organisational life, reflects the patterns of organisational interaction and determines the organisational boundaries since *“to be part of an organisation is to be subject to that organisation’s system of accountability”* (Roberts and Scapens, 1985: 448). For that reason giving accounts for the purpose of organisational conduct is defined by moral principles (Johnson, 1996).

Accountability refers to organisational action as a continuous flow of conduct, involving agents in an ongoing activity, and it *“establishes a rule-following aspect of action”* which bounds the meaning of rationality, defines future conduct (Johnson, 1996: 113; Barley and Tolbert, 1997: 94), and becomes *“observable-and-reportable in those ways that are commonsensical to other members who share this way of accomplishing a commonsense world”* (Willmot, 1996: 25). Importantly, accountability allows the members of an organisational system to monitor and acknowledge the competence of individual actors to produce, and reproduce the meaning of everyday organisational action (Giddens, 1979: 83). The recognition of individual competence is based upon agents’ ability to demonstrate their ‘mastery’ upon organisational practices through, ongoing interaction that enforces inner organisational dialogue, trust and, as a result, responsibility. This is why responsibility and trust are justified by providing accounts for the rationality of agents’ decisions that the other members of an organisation can understand and use in their judgment.

The repetition of the action defines an agent’s ability to give accounts (either upon demand or for self-examination purposes) for his/her actions according to rule-based behaviours that Giddens calls *“reflexive monitoring of conduct”* (Giddens, 1979: 81). Reflexive monitoring is based upon *“purposive action which involves the application of knowledge so to produce a particular outcome or a series of outcomes”* (Giddens, 1976: 81; Giddens, 1979: 57), and includes the monitoring of settings of interaction and not just the behaviour of individual actors (Giddens, 1979: 57). Agents do things purposively by following particular routines since that gives them the ability to monitor their own activities and to secure certain outcomes and qualities. Accountability is based upon agents’ capacity to explain the purpose

of their involvement in that series of outcomes, and can be provided “*at two levels of consciousness - discursive and practical*” (Mackintosh and Scapens, 1990: 458). At discursive level agents can discursively articulate reasons for the purposes of their conduct. At practical level agents’ action, is defined by implicit stocks of knowledge (tacit knowledge¹) that inform actors about what is considered and what is not considered as an acceptable form of action.

The argument that structures and, as a result, organisational systems, are produced and reproduced through organisational routines and everyday activity “*entails interpreting [by agents] a stream of messages coming from members of the organisation and the environment*” (Scapens, 1994: 310). Reflexive monitoring of action “*operates against the background of the rationalisation of the action*” (Giddens, 1979: 57) in the sense that rationalisation is the result of the monitoring process of everyday organisational life. Through rationalisation, agents intend to reorganise the technical characteristics of the reflexive monitoring of conduct, meaning to change the sequence of ongoing purposive action and to introduce to organisational systems new rules and routines that will regulate organisational interaction and behaviour and importantly to explain the reasons of their conduct (Giddens, 1976: 84; Mouritsen, 1994). As a result, accountability in everyday organisational life is the outcome of tensions resulting from the way that rationalisation of action is embedded within the stream of conduct of organisational agents and collectives (Giddens, 1979: 57; Barley and Tolbert, 1997; Conrad, 2005).

However, while accepting that rationalisation is a chronic feature of daily conduct, that presupposes the existence of competent organisational agents, whose competence is adjudged by other organisational actors in the court of the every-day reproduction of organisational systems (Giddens, 1979: 57; Parker, 2000), Scapens argues that we should “*distinguish evolutionary (routine²) from revolutionary (critical) change*” (Scapens, 1994: 311). “*The process of institutional decay or disruption produced by the encounter of traditional cultures*

¹ Tacit knowledge provides the necessary skills in order for agents to perform daily activities and monitor their actions, and the actions of the other members of an organisation (Scapens, 1994).

² The reason why agents reproduce ongoing routines is related to ontological aspect of the individual, in the sense that the familiar in social relations reduces anxiety (Giddens, 1979: 128).

with the economic imperialism of the advanced societies [as this is expressed with economic organisations like the World Bank, the IMF, and the OECD, or the EU]” is seen by Giddens (1979: 228), as an ‘episode’ of critical change in social systems. For that reason the strategic choice of the transformation of the state owned enterprises is seen as an attempt to introduce conditions of crisis, since it questions the applicability of the already formulated organisational relationships and practices and further affects the interrelationship between the wider global and local institutions¹ (Pettigrew, 1987; Dent, 1991; Ogden, 1995; Conrad, 2005). Under conditions of crisis agency reshapes the structures influencing the patterns of organisational interaction. Thus, the incorporation of a new rationality involves a significant disruption of established routines since it attempts to institute a new meaning of organisational activity, a process that affects traditional roles and relations of power (Scapens, 1994; Burns and Scapens, 2000).

The constitution of agency (the enactment of conduct under particular conditions that remain accountable for the reasons of conduct) in organisational systems is a complex project, based upon a dialectic relationship between the ways that an actor perceives his/her role and the way that the others (institutions and individuals) understand and inform that role. The multiple expectations imposed by the different wider global and local institutions are conflicting and antagonistic. The formulated conflicting situations under conditions of crisis, increase contradictions between agents and institutions, and make the articulation of reasoning, and thus, the formulation of relationships of trust among the various roles problematic. Trust is further constrained by the motivational characteristic of action, which is linked to the individuals’ personal interests (Giddens, 1979).

The grey areas in the accountability relationship indicate that the reproduction of social/organisational systems can also have unintended consequences (Giddens, 1979; Baxter and Chua, 2003). The transformation of organisations is the outcome of a multilevel process that apart from rational choices is also shaped by the interests and commitments of individuals, the changes in the wider social environment, and the conflicts, tensions and

¹ As it will be shown in the subsequent chapters in the case of the Hellenic Railway Organisation the strategic choices are affected by the EU, the World Bank, the Greek government, and all the relevant institutions implicated in the formulation of railway policies in Europe and in Greece.

politics existing and exercised within the inner organisational system (Pettigrew, 1987). This is why operational and strategic objectives are rather part of a wider organisational system that defines the way that participants communicate, exercise power and sanction or reward particular organisational behaviours (Barley and Tolbert, 1997).

The study of the process of structuration within organisational systems reveals the way that agents understand social interaction between organizational members and their external environment and the way that agents cope with anxiety and uncertainty about the meaning that defines social conduct (Barley and Tolbert, 1997). The importance of the institutionalization of operational and business objectives is laid down in the specification of social roles and relationships it comes to control (Hasselblach and Kallinikos, 2000), a topic discussed in the coming section.

3.4. The utilisation of control and planning mechanisms in the formation of responsible relationships

The distinction between action and intention is one that gives substantial meaning to the instrumental communication of organisational knowledge (Kallinikos and Cooper, 1996: 3). The use of business plans by the Greek Government in the state owned rail company provides a tool for evaluating organisational objectives and activities and as a consequence to enable the definition of roles and the rights that bound the organisational and institutional environment (Mackintosh and Scapens, 1990). Their incorporation as organisational structures in the Greek public sector intends to formulate certain relations and integrations that otherwise would have remained visual (Parker 2000). This why management accounting techniques cannot be characterised as neutral, since these techniques tend to facilitate the domination and legitimation of managing directors in state owned business organisations (Scapens and Mackintosh, 1996).

More particularly, business plans, the elaboration of which in the Greek public sector constitute the research topic of the present thesis, were introduced as formal accountability structures in an effort to provide increased powers to the role of the managing director in order to alter the already established perceptions that define the operation of the SOE. More particularly the utilisation of strategic plans provides a useful tool in the process of the

“rationalisation” of PSE since they allow the *“development and specification of abstract categories, the simplification of phenomena, and the formulation of patterned relations produce simplified and generalized structures...”* (Townley, 2002: 176).

The incorporation of strategic planning, introduces in PSE all the taken-for-granted notions of improved management competence and increased management accountability that legitimate managerial roles and thus ideas (Oakes et al, 1998; Townley, 2002). For that reason it can be further argued that their articulation in the public sector’s management, in addition attempts to de-legitimise pre-existing ideas and roles (Pettigrew, 1987). Thus, business plans communicate normative rules that sanction or reward certain characteristics of organisational action and demonstrate the moral ground of the responsibility entrusted to management to commit an organisational system and its members to “contracts” with the external environment.

Central to the process of analysis in the transformation of state owned enterprises is the role of the CEO, in relation to the existing organisational context and the efforts to establish relations of trust in order to secure the control of the intentional organisational action and its outcomes. However, that relationship cannot be perceived as being isolated from the external institutional environment and the expectations it imposes upon organisational roles. Locating actors within institutional environments means that their intensive action is subject to pre-existing beliefs, and to rules and relations of power (Scott, 1983). That means that actors’ ability to introduce changes to organizational systems is shaped by pre-existing structures of interaction that delimit or attempt to delimit individuals’ action¹, and as a consequence, to define the meaning of their role. The reaction to the exercise of power by the dominant group/individual in the accountability relationship is contingent upon the way that the dominant part in that relationship conceptualises its power.

Seeing accountability solely as a hierarchical process which is identified as synonymous to control (Berry, 1989) restricts the meaning of accountability from a mutual dynamic

¹ We must not forget that individuals have the ability to shape organizational structures. As a consequence, it is acknowledged that actor’s individual characteristics play a crucial role.

relationship to a unilateral exercise of power from those that have an authority thus, it becomes meaningless. Within a political process everybody is mutually accountable. The mutuality in an accountability relationship is restricted from the asymmetry of power within a social/organisational system (Kreiner, 1996). For that reason the possibilities of the accountability are determined by the diffusion of power between actors and groups of actors. This topic is discussed in the following section.

3.4.1. Relations of power and domination in organisational contexts: the concept of dialectic of control

Central to Gidden's conceptual framework, is the notion of power, which is inherent in all human relationships. Power in Structuration theory is not seen as unidirectional process but rather as a dialectic relationship between the superordinates and the subordinates of an organisational system. Dialectic of control is used to describe the power that superordinates have by means of access to resources and authority but at the same time it describes the power that subordinates have to penetrate the conditions of organisational reproduction by having the ability to control the resources (Mackintosh and Scapens, 1990; Uddin and Tsamenyi, 2005; Conrad, 2005).

The power of the subordinates operates as leverage to the power capabilities of the superordinates and results in the creation of relations of autonomy and dependency that restrict and at the same time enable¹ organisational actors' transformative capacity. In that

¹ In that sense the analysis of managerial accounting as social and institutional practice under the structuration theory differentiates from structuralist, mainly Marxists approaches, that regard accounting as an element of the capitalistic system used to impose certain relations of power within organisational contexts (Toms, 2005: 628). According to that approach accounting is seen in relation to the capitalistic structures of our society. Hopper and Armstrong (1991), adopt the labour process approach to economic and industrial history, according to which the social and economic conflicts arising from the modes of control that characterise the different phases of the capitalistic development generate new control technologies that attempt to accommodate or even to eliminate social conflicts and the emerged implications in the process of establishing profitability objectives by corporations. In that sense the emergence of accountability is perceived as the outcome of capital socialisation and the increase dependence upon capital markets that require increase accountability for the use of the funds made available. However, "*this tendency is not perceived to proceed historically in a straight line from opacity to transparency*", but rather it is the result of the increase "policing arrangements". It is the outcome of a crisis in corporate profitability and the inability of managerial control to secure capital investors' returns (Toms, 2005: 648). Consequently, financial accountability is the outcome of the contradictions and drawbacks of managerial control used to restrict labour force and to impose capitalistic interests. It is an objective situation that has to change radically.

sense dialectic of control is a crucial parameter in the formulation of accountability relationships within organisational systems and between the actors of an organisational system and the social, political, and financial institutions. Unless accountability relationships and the meaning of organisational conduct are socially constructed, accountability will fail to shape roles and responsibilities. It will fail to establish the significance of instrumental rationalisation and to define the meaning of social conduct.

Scapens and Mackintosh (1996) make a very interesting point concerning the incorporation of dialectic control in the analysis of organisational interrelationships; the lack of goal congruence, within Agency theory, is seen as evidence of inefficient management control mechanisms. A conclusion that ineffectively leads to the application of new management control systems, based upon performance measurement and reward systems. Within the framework of structuration theory the very concept of goal congruence is challenged. The inability of agents to formulate common business goals is seen as the outcome of structural contradiction. Consequently, the application of new control mechanisms that enforce the power and domination of administrative managers, as it was made apparent in Chapter two, will result in greater resistance. As Scapens and Mackintosh (1996: 687) conclude, goal incongruent can *“be beneficial to the extent that it enables managers to cope with hierarchical demands, while still accomplishing their productive potential”*.

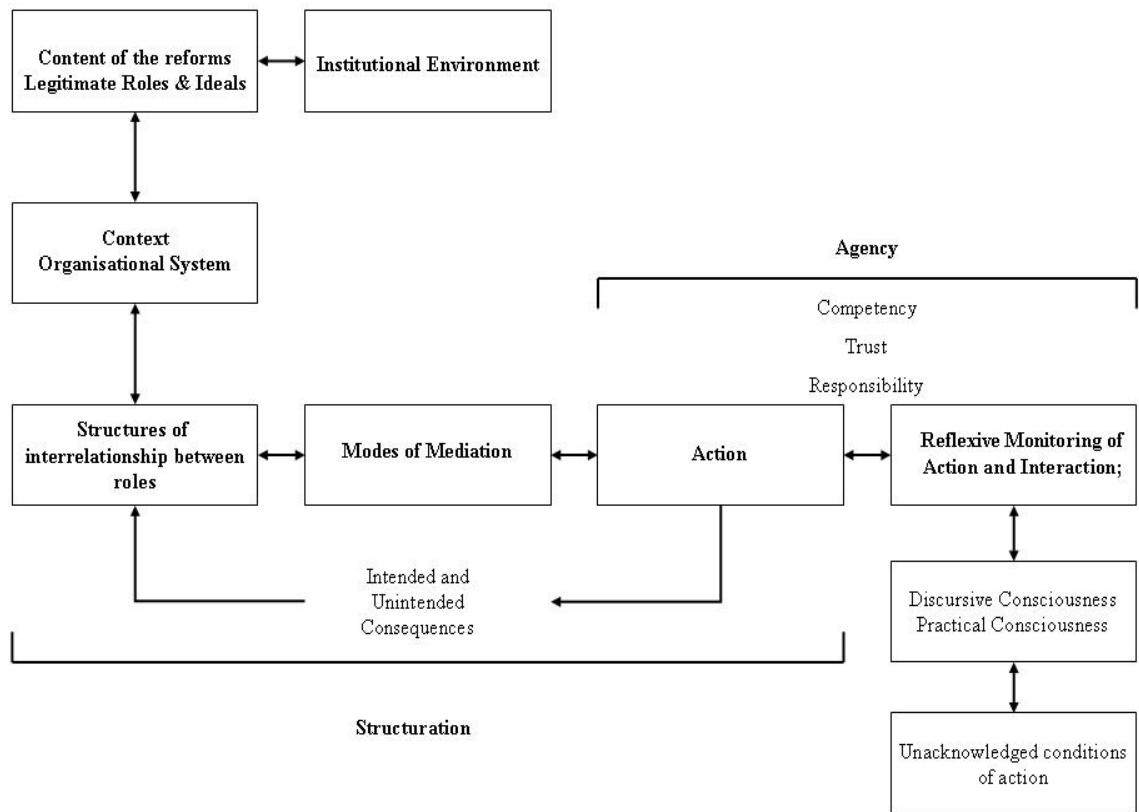
In order for instrumental communication mechanisms to become a day-to-day accountability routine that will influence the patterns of on going organizational action, a monitoring mechanism must be put in place, which will collectively question the adequacy of existing ongoing practices, and which will justify the necessity for the implementation of new institutions to increase organizational efficiency (Burns and Scapens, 2000). Such a mechanism presupposes the existence of trust. In the case where no such monitoring mechanism exists that would enforce mutual understanding, intention becomes the unilateral expression of the will of the dominant actor in the accountability relationship, and as a result the rationality of instrumental mechanisms fail to become understood and accepted by actors as ongoing accountability mechanisms (Burns and Scapens, 2000). In that case, the meaning

of action is not determined by a morally established and trustful authority¹, but by a loosely defined and non accountable authority that undertakes the responsibility to plan organisational action and setting organisational objectives. As a consequence, decision-making becomes increasingly independent of trust and responsibility (Townley et al. 2003: 1067). Managing directors' inability to establish their legitimation in the context of state owned enterprises and to productively inform the ongoing organisational tensions is examined as the main reason that negatively affects the ability of organisational systems to operate effectively.

To recapitulate, "*Structuration Theory depicts the conditions governing the continuation and transmutation of structures and therefore the reproduction of social systems*" (Giddens, 1999: 86). Figure 3.1 that follows is based upon the Macintosh and Scapens (1990: 459) depiction of structuration process. However, for the purposes of the present study the figure is slightly different from that of Macintosh and Scapen's. Figure 3.1 explicitly attempts to emphasise the argument that the elaboration of legitimate structures of organisational interaction is based upon the way these become embodied in the organisational context and influenced by the way actors perceive, and understand the new relationships, and roles. Values, norms, rules, and beliefs exist in the institutional environment and attempt to formulate the meaning of organisational knowledge, to define organisational conduct and to "*identify categories of social actors and their appropriate activities or relationships*" (Barley and Tolbert, 1997: 96). These patterns of interaction attempt to construct accountability relationships that will delimit individual behaviour and will control organisational action according to the dominant rationality. Yet, at the same time, these are the product of the influence exercised by actors and collectives during organisational action (Barley and Tolbert, 1997: 96). The use of double arrow connectors expresses the dialectic relationship.

¹ Authority that establishes organisational objectives and actions, in interaction with organisational actors, whilst it takes into consideration the expectations of the social environment.

Figure 3.1: Conceptualisation of structuration process



Coupled to the context, roles and rules, their ongoing reproduction is based upon the mobilisation of consciousness that repositions the relationship between acknowledged and unacknowledged conditions of action (by making visible certain dimensions) and change the patterns that define the formation of responsible relationships. Reflexivity and the demand for the agent to demonstrate his/her mastery upon new intentional objectives of conduct, is the critical condition in order for on going organisational action to change and to reposition the relationship between intended and unintended consequences of action. The ability of the organisational context (the systematic functioning of patterning relationships) to succeed in the intentional outcomes as these are defined by the legitimate structures and roles is the one that secures the trust of the institutional environment in the organisational system and its structures.

However, the dialectic relationship between the components that constitute figure 3.1, indicates that their action and pursuits is not coherent but rather conflicting. This means that agents have different and conflicting objectives that could become explicit or could remain implicit. Conflict and resistance within organisational life shows that the communication of organisational objectives does not operate outside the relations of power as these are constructed in terms of communication of the meaning and sanctions of social conduct (Giddens, 1979:82). As a result it can not be taken for granted that organisational objectives and, as a consequence, the targets of organisational control are unambiguous and accepted by all organizational actors. The importance of accountability lies upon its ability to communicate organizational objectives through the process of interaction.

The purpose of this thesis is to conceptualise the content of the managerial accountability reforms, in relation to the particular characteristics of the Greek social context in which they were introduced, a context that as it was mentioned in chapter two, traditionally has been characterised by the *“difficulty with engaging in collective decision making”* (Lavdas, 2006: 85). The study focuses upon the structures of organisational action and interrelationships and it examines patterns of continuity and change in the accountability relationship. The lack of social dialogue in the Greek social context indicates a statism; an outcome of the state’s inability to alter the relations of power among the various interest groups (Lavdas, 2006: 85). The interesting issue to be examined is the way that patterns of continuity between the various social groups have been affected by the challenges imposed by the European environment. For that purpose the present thesis examines the way that strategic and operational plans, initiated after European Commission’s demand, are coupled to the context of the Hellenic Railway Organisation and have managed to mobilise agents’ discursive consciousness and capabilities.

The need to depict the way that strategic and operational plans are implicated in the ongoing organisational action and influenced the structuration process also defines the research strategy adopted by the current analysis. That topic is discussed in the following section.

3.5. Research Methods and Sources

In order for the researcher to depict the norms and rules that govern the structuration process in the Greek railway company, case study analysis emerges as the most appropriate method of empirical research. Moreover, the adoption of case study as a method of analysis is fuelled by the need to understand how the organisational context and the wider institutional environment are interrelated in the process of structuration. According to Yin (1994: 13) “*a case study is an empirical enquiry that investigates a contemporary phenomenon within its real life context*”.

There are a numerous studies that support the adequacy of case studies in accounting and management accounting research (Otley, 1990; Ferreira and Merchant, 1992; Otley and Berry, 1994; Ogden, 1995; Humphrey and Scapens, 1996; Potter, 2005; Cooper and Morgan, 2008). For example, Langfield and Smith (1997: 221) argue that, in contrast to empirical forms of research that are based upon the statistical analysis of large and extensive populations, which fail to capture the dynamic nature of human relationships and therefore present a static view of the relationship between management control and strategy, case study research offers the “*potential for a deeper examination of the process involved in that relationship*”. In contrast to generalisations and simplifications of the empirical observations, case studies, through the development of theoretical frameworks provide a holistic research approach to the understanding of organisational systems (Ryan et al, 2003).

The use of case studies, as a method of empirical research, can be identified in functionalist, structuralist and interpretive studies¹ as well as in studies that adopt structuration as a

¹ The analysis is based upon Hopper and Powell’s (1995) taxonomy of accounting research (Ryan et al, 2002). The analysis draws upon Burrell’s and Morgan’s (1979) classification of the dialectic relationship between social structure and agency that defines a researcher’s personal stance over the restrictions that social structures impose on agents’ action. Functionalist approaches perceive social world as objective. Researchers adopt functionalist tradition have no intention to change social order, which is perceived as granted. Their effort is to understand the way the objective social world functions by identifying casual relationships. On the other hand structuralism (mainly draws upon the ideas of Marx and the Frankfurt School) understands social structures mainly as a constrained to human action. Thus researchers following that approach aim to radically change social structure. Finally the interpretive approach aims to understand social relationships (the interaction between object and subject) and through that understanding the necessary changes to be introduced. It

framework of analysis. However, the aim of the use of case studies in functional research is quite distinct from that of the other traditions. Within functional research the use of case studies aims to generate assumptions that will be tested in large-scale statistical studies targeting to generate or to extend theories (Kaplan, 1986). In contrast to functional studies, theory falsification is not the objective for the present work. Hence searching for “representative” case studies is not seen as the right strategy (Ryan, et al, 2002).

The selection of OSE as a case study was made upon the belief that the case directly addresses the research issues. OSE in a period of five years (2003-2008) became the state-owned organisation, with the higher financing deficit in Europe (Tzanavara, 2010). Twelve years (1996-2008) after managerial accountability reforms were introduced in the Greek social context, the company’s rapidly increasing operational and non-operational deficits and its inability to realise its strategic potentials, raises the issue of the appropriateness of the implementation of strategic and operational plans as forms of instrumental accountability. As the following statement quotes made in a Greek radio station¹ by the Minister of Transport who has the responsibility for the company’s operational and administrative control (trans.):

“OSE is the most problematic state-owned enterprise, whilst many accusations concerning the company’s mismanagement exist...” (Xatzidakis, July 10 2008).

The design of the research approach is discussed in the following section.

3.5.1. Pilot Research

“Good case research begins with a careful research design” that must include a well justified set of research questions, criteria for interpreting the findings and in addition the careful choice of the research participants (Cooper, 2005: 171). For that reason the research strategy has been divided in three main parts. In the first part a preliminary research was

becomes understood that from that classification structuration theory is attributed to one of the above three categories. Due to its interpretive character many authors tend to consider structuration analysis as part of the interpretive tradition (Ryan, et al, 2002). However, as Scapens and Mackintosh (1996), argue it is not accurate to consider structuration analysis as part of the interpretive tradition, the voluntaristic character of which, privileges agents’ interpretations in the production of social reality. In Structuration theory structure and agency presuppose one another (Scapens and Mackintosh, 1996: 688). For that reason Structuration analysis is seen as distinct from interpretive studies.

¹ In Greek: “Αθήνα 9.84”

conducted the main objective of which was to understand the way that the company's managers perceive the notion of accountability. The second objective of the preliminary research was to depict the perception that managers have of the role of the CEO in the organisational context, whilst the third was to identify the impact of strategic and business objectives in the day-to-day managerial and operational action. An additional task was to identify the active participants, meaning those managers willing to contribute to the research and mainly those managers that have had a critical role in influencing company's operational and strategic objectives (Barrett et al, 2005). Even though, considerable effort was made to interview the managers and supervisors of the financial, accounting and administrative departments, something like that was not always feasible. Consequently at this stage of the research, the selection of the participants, up to a point was random.

The preliminary research lasted for a period of one month between August 10 2005 and September 11 2005, whilst nine departmental managers and a former General Director who was also at that time a member of the BoD, participated (see appendix 3.1). In an effort to prioritise research questions and objectives structured interviews were chosen as the most appropriate method of engagement for the data selection. All the interviews took place in the organisation's headquarters in Athens. The duration of the interviews was one hour (1h) to a maximum, one and a half hour (1.30h). The interviews were not recorded but notes were taken and transcribed later on the same day.

As Mason (1996: 42) mentions good qualitative interviewing is hard, creative work, the demands of which I will add, are not realised unless the researcher gets involved with it. While a great effort in the pre-interview process was dedicated to formulate a set of six questions, for forty-five minute interviews the result was that these could only be used as a general framework of discussion. The major difficulty was the definition of the notion of accountability and more over, the way that systems of management control and planning can be implicated in the accountability process. This is why the concept of responsibility was elaborated as a more appropriate notion in order to replace the one of accountability and to make the conversations meaningful.

An important point is that in some interviews the interviewees felt annoyed by the use of the word “accountability” and even more to the question “to whom do you feel accountable for your actions and decisions”. Indicative of that is the reaction of one of the company’s senior managers. During the interview, when the researcher explained to him the purpose of the study and the importance of his participation, his answer was:

“go and discuss the managerial accountability issue with the Chairman [of the board of directors] and if he answers to you then come back so we can discuss it together, otherwise I am not discussing anything”.

However, in contrast to the previous manager, many of the interviewees welcomed the interviews as an emancipating opportunity offering them the ability to air views that they had long held. The period during which the pilot and the main research occurred was a transitional period for the company. As will be elaborated in subsequent chapters this was the period when OSE was transformed from a single company to a group of companies. Consequently, all the interviewees were expressing anxiety caused to them by the changes incurred in the company at the time and their effects on them. Since one of the objectives of the preliminary research was to depict the way that the operational and strategic plans had been incorporated in organisational action, since they were first introduced as frameworks of instrumental accountability in 1996, the tendency of the interviewees to concentrate the discussion in the period after 2003 was initially perceived by the researcher as a drawback to the research objectives. However, that turned out to be an advantage, since the researcher overall gained a valuable understanding of the organisational conditions influencing the patterns of interrelationships between organisational actors and the wider institutional environment. More important however, was the realisation of the fact that this period was a critical one in the company’s structuration process, where the traditional norms and rules that had been influenced the patterns of organisational interaction were challenged. Consequently, the result was to understand, how intra-organisational tensions and accountability were affected by the efforts made by the management to implement the formulated changes and to strategically position the company in the environment created by the new conditions.

3.5.2. Main Research

The second, main part of the investigation took place a year after the pilot study and it lasted for almost four months, between June 15, 2006 and October 20, 2006. Interviews were again the main source of data collection, along with a big number of internal and public reported documents. During the four months period, forty-five interviews were conducted (see appendix 3.2). Each interview was recorded and transcribed on the same day.

The interview participants included CEOs, management and operational administrators, and employees. In addition members of the BoD, and employees' representatives in the industrial union participated in the investigation. Furthermore, the research included interviews with previously appointed CEOs and executives as well as two representatives of "Friends of the Railway Association" an active social group, intended to promote the development of train services in Greece. In addition an interview appointment was arranged with a representative of the "Managing Authority" the responsible body for the control of the efficient and transparent implementation of the investments in Greek rail industry co-funding by the European Union and the Greek government through, the second and the third Community Support Frameworks. Due to the integrated and important role of the contracted management consultants in the ongoing managerial action and decision making and more over, after the encouragement of the then company's CEO, the researcher arranged and conducted interviews with representatives from two, of the active management consulting companies¹ (during that period in the organisation). Both companies were implicated in the formulation of the (2006-2007) strategic plan to disaggregate the company.

In order to overcome the difficulties faced in the pilot research, with the employment of structured interviews, this time a different strategy was selected. Thus, the conversations with the interviewees were loosely structured. In that sense the interviews were not orientated to ask the same questions (see appendix 3.3) to all the interviewees in order to verify and compare facts but rather they were attempting to explore the various perceptions that organisational actors had formed and consequently to create a clearer picture of the structures

¹ Both required confidentiality to be kept with respect to the firms they were representing.

influence their actions (Hoque, et al 2004). Ferreira and Merchant (1992: 14) as well as Yin (1994: 84) argue that this method of interview is most commonly used in case studies.

However, from observations made during the interviews it was apparent that regardless of the type of questions (structured, semi-structured or open questions) the direction of the conversation was controlled by the interviewees and not by the interviewer. More precisely it was the quality, the personality and the initiative of the interviewee to contribute to the research that defined the type of the interview strategy that the interviewer followed. Thus, the researcher must always be ready to motivate the participant but in addition to give him the time and space to express his or her perceptions and opinions. The ability of the interviewer to understand the personality of the interviewee and to adjust his/her strategy accordingly is supported to be just one aspect of the communication between researcher and participant. The other important aspect is the interviewer's ability to make sense of the circumstances and experiences of the participant and to ask meaningful to him questions (Mayson, 1996: 45). Furthermore, an additional aspect is the ability of the researcher to gain the trust of the participant and to infuse to him the importance of his participation and contribution to the study.

In order to secure the above conditions, prior to each interview, questionnaires were distributed to the participants so they could gain an understanding of the research issues. Completed questionnaires were to be returned to the researcher prior the interviews. Certainly, that was not a practice that always worked out, since many of the participants had not spent the necessary time to complete the questionnaire prior to the interview. But even when they were providing the questionnaires after the discussion it was a valuable contribution, since they revealed individuals' perceptions that could be verified and better understood. The questionnaire as a form of research approach was complementary to the interviews and its purpose was not to measure and to statistically analyse the provided answers, but rather to involve the participants with the research concepts and to help them understand and become familiar with notions such as accountability.

For that reason it was not given to all of the participants but it was rather directed to low, middle and high rank managers, within the company's establishment, all of whom were rail employees working under permanent employment agreement in the railway company. The questionnaire was not given to the appointed CEOs, the members of the board of directors, employees' representatives and managers from OSE's subsidiary companies who contributed to the research by providing interviews and related material for example documents, internal notes and publications they have done.

The thirty four questions (see appendix 3.4) developed for the purposes of the questionnaire were based upon the questions first developed by Swierenga and Moncur (1975) and subsequently used by Hoque and Hopper (1997) to measure managers' perceptions of budgeted related activities in the nationalised Jute mills of Bangladesh. However, the questions were modified in order to meet the needs of the present study. More particularly the questionnaire aimed to satisfy the following objectives:

- i. To display the level of managers' agreement or disagreement with the statement that the strategic objectives are the outcome of organisation's expectations or they are the outcome of the expectations imposed by the institutional environment;
- ii. To display the level of managers' agreement or disagreement with the statement that the operational strategies aim to make the organisation more efficient, transparent and accountable for the operational outcome;
- iii. To display the level of their agreement or disagreement with the statement that the formulation of the operational objectives and strategies of each department/administration are the outcome of a collective process in which they participate and express an opinion;
- iv. To display the level of their understanding of the operational targets and strategies;
- v. To display the level of their agreement or disagreement with the statement that he/she provides accounts for the efficient implementation of the operational objectives;
- vi. To display the level of their agreement or disagreement with the statement that his/her performance is evaluated according to the successful implementation of the objectives set;

- vii. To display the level of their agreement or disagreement with the statement that the implementation of operational objectives is the outcome of collective action and collaboration;
- viii. To display the level of their agreement or disagreement with the statement that performance measurements make their work more efficient.

Albeit, questionnaires fail to capture the multiple rules and norms that shape the patterns of organisational action and moreover, the way they affect the interrelationship between the organisational context and the wider institutional environment. Hence, questionnaire participants conceptualised strategic and operational objectives independently from other structural properties influencing organisational action. For that reason questionnaires were not elaborated in the analysis process. They were just used in the study as a focus for discussion during the interviews.

An additional reason, for not using the questionnaires in the analysis process was the symbolic meanings attached to strategic and operational objectives (Model, 2001: 442). While the questionnaire aimed to demonstrate the way that strategic and operational plans have been implicated in the day-to-day action and how managers perceive their role as part of their organisational routine, many of them were expressing their view according to their understandings on the way they should have been used. The realisation of the particular contradiction during the interview sessions, gave interviewees the opportunity to emphasise the way that they actually perceived the conditions influencing ongoing action. Many of them began their interviews saying: *"I understand what you are saying [in the provided questionnaire], however these are not applying to organisational reality, which is..."* This is why, the method proved to be very effective since, it gave managers the ability to gain an overall understanding of the issues under discussion and to express their opinions whilst at the same time feeling able to contribute to the study. This is why many times during the interviews, the interviewees stopped their narrative to ask me if their answer was relevant to the question and helpful to my research. Moreover, many times, they purposefully were provoking discussions with other managers and employees in an effort to demonstrate the true conditions in which organisational action had taken place. In addition they were

providing the researcher with valuable internal knowledge that otherwise would have been very difficult to obtain. During these interviews a large number of internal documents were gathered. Private archives, press publications as well as laws and regulations of the Greek State and the European Union were important sources of information.

Further evidence was gathered from a short trip¹ made to Athens on 1st February, 2006 when the researcher attended the presentation of the results of the survey made in cooperation by the Economic University of Athens and the auditing company Grant Thornton, on the level of the incorporation of the Corporate Governance Principles by the listed in the Athens Stock Exchange companies and the SOE. In that presentation the then CEO of OSE gave a speech where he discussed the way that, OSE as a state owned company implements the corporate governance principles as these are defined by law 3016 of 2002 “Principles of Corporate Governance”.

During the writing up stage of the thesis, in an effort to understand the consequences of the implemented changes in the organisational context, a further two interviews and four telephone conversations were conducted. Managers and employees were open and friendly always willing to answer to researcher’s questions. For that reason it was not difficult for the researcher to go back and ask for additional information.

While case study as a method of research in management accounting can make substantial contributions to the study of accounting systems in organisations (e.g. Hopwood, 1983; Otley, 1984; Hopper & Powell, 1985 Scapens, 1990) it also has limitations and critics that are discussed in the following section.

3.6. Disadvantages and arguments against the use of case studies

The most critical challenge of the use of empirical research within the framework of Structuration theory emanates from its foundations. While Giddens reject the argument that

¹ The researcher is particularly obliged to OSE’s CEO, Mr Chionis for his mediation with Grant Thornton and to Professor Refenes, of the Economic University of Athens, who invited him to the event and covered the expenses.

his approach to structuration is too abstract, in order to be relevant for empirical research, he accepts, that his theory was not intended to be used as method of research, or even as a methodological approach (Giddens, 1994: 293). Consequently within the framework of Structuration theory, the basic critique exercised in case studies, for the lack of theoretical generalisation that will explain social relations, becomes even more important. According to Chenhall (2003: 160) the claim of case study researchers, that configurations of power are well understood and illustrated, often is based upon the use of sociological theories that are often *“ill structured that regularities cannot be meaningfully represented”* and consequently generalities cannot be produced.

While the aim of the research, as has already been mentioned, is not to make generalisations, their absence makes the research validity problematic. The interpretive and subjective character of the research emphasises the problem of researcher bias (Ryan et al, 2003). For that reason a large number of investigators, mainly emanating from normative approaches to research, regard case studies as less desirable form of empirical research (Yin, 1994). In interpretive and structural studies, theory plays a central role and overlaps with observation (Hopper and Powel, 1985; Eisenhardt, 1989; Humphrey and Scapens, 1996). However, Giddens's dislike with the way that Structuration has been elaborated in empirical work, leads him to suggest that Structuration theory should be *“utilised in a selective way and should be seen more as a sensitising device than as providing detailed guidelines for research procedure”* (Giddens, 1994: 294).

However, while Giddens warns about the possible pitfalls of empirical research, mainly related to the interpretation of research results and the lack of explanatory generalisations, he does not exhaust the possibilities, of even small scale ethnographic work to reach valuable conclusions about the structuration process. Conrad (2005: 4) argues that the incorporation of Structuration Theory provides a framework that makes it possible for the social researcher to make sense of the way that social structures have influenced management control in public sector enterprises, and consequently case studies can contribute to the understanding not only of the changes that take place at organisational, but at the wider social level as well.

Many researchers in order to overcome the validity problem adopt a form of triangulation research approach, that includes both qualitative and quantitative analysis (Yin, 1994; Hoque and Hopper, 1994; 1997; Caramanis, 1996). However, as has already been discussed, the present thesis considers that quantitative analysis of the perceptions identified in the questionnaires used would not contribute to study's validity since the static nature of a questionnaire makes it irrelevant in analysing the patterns of continuity and change in the ongoing organisational interaction and accountability. In order to overcome the validity problem and the emergent critique, the multiple sources of data that have been collected during the research stage aim to provide a rich description of the social and organisational settings and of the structures that influence actors' interaction (Uddin and Tsamenyi, 2005). The purpose is to put the reader of the thesis in a position to develop alternative explanations of the findings (Ferreira and Merchant, 1992) whilst, comparisons with additional case studies can provide a solution to the problem of generalisations.

Following Humphrey and Scapens, (1996: 99) argument, from such a perspective the incorporation of structuration theory is used both for interpreting the context of the Hellenic Railway Organisation and convincing for the validity of the findings and interpretations. The objective is to critically evaluate the established assumptions, about the incorporation of management accounting techniques for accountability purposes into the Greek public sector and to further develop knowledge over the effects that managerial accountability reforms have on the way that roles formulate meaningful organisational relationships.

3.7. Conclusion

The main purpose of this chapter was to develop the argument that the meaning of accountability relationships is socially formulated; an outcome of the ongoing interaction between agents. Accountability bounds the rationality of organisational action but at the same time it enables the formulation of meaningful relationships between social roles. Accountability becomes meaningful when agents' purposive action and its outcomes become observable and reportable in those ways that can be understood by those actors that share common meanings and target to accomplish common objectives. The formulation of

commonsense patterns of social action enables collective control and it attempts to restrict the implications of potential unintended consequences, derived from agents' action.

This particular conceptualisation is the product of the use of structuration theory as that has been developed by Giddens and introduced the notion of duality that characterises the relationship between structure and agents. Social systems are constituted by social structures that through the incorporation of structural properties define the way that agents interrelate and integrate while at the same time their meaning is influenced by actors' action. Within the framework of Structuration Theory the normative approach to the managerial accountability relationship is challenged. The application of managerial accounting mechanisms in the management of the state owned enterprises is not perceived as an adequate condition to empower the newly introduced role of the CEO to alter the rationality of organisational action towards financial performance objectives.

The efficient incorporation of strategic and operational plans in state owned organisations depends upon their use as structures that communicate the CEO's competency and establish relations of trust over his responsibility to efficiently change the patterns of organisational interaction and the already existing relations of power. Established responsibility secures the necessary legitimation for executive management to gain the authority to demand reasons for conduct. However, it presupposes that senior managers are in a position to provide accounts for the rationality underlying their decisions and actions to their subordinates. This is why accountability is relevant only in structures of signification and legitimation, an outcome of the tensions that emerge during the process of rationalisation of the flow of purposive action and the redefinition of the norms that sanction and reward certain sets of actions and behaviours. However structures of signification and legitimation cannot be understood independently from structures of power. Within the framework of structuration theory the ability of the subordinates to penetrate and to influence the conditions of the structuration process is regarded by the present thesis as a precondition for the utilisation of strategic and operational plans as structures of signification.

Even though, a substantial problem exists that is linked to the inability of social actors to provide accounts for all the dimensions of their actions. The articulation of reasoning is bounded due to actors' limited discursive capabilities and in addition due to individualistic interests that are not defined by the common knowledge shared by the members of a social system. The accountability gap results in unacknowledged conditions of action that lead to unintentional outcomes and intraorganisational conflicts.

The research design that was developed in order to examine the aforementioned research objectives was explained in the second part of this chapter where a detailed description of the research methods was provided and the implications/difficulties emerged during that process. The participants in the research, the sampling design, the research instruments used and the administration of the survey were discussed. The thesis argues that the single case study adopted as a research method constitutes the most appropriate approach in outlining the specific research objective, and it also acknowledged its basic limitations and justified the precautions taken in order to overcome these problems.

The following chapter discusses the changes in the European rail industry and their effect upon the national settings.

4. Chapter - European Rail Industry in search of efficiency

4.1. Introduction

Two main conclusions were drawn from the literature review. The first conclusion is that there is insufficient evidence to justify the efficiency claims of the reforms towards managerial accountability in the public sector. Consequently the wider acceptance of these reforms are seen as the result of the influence exercised by the institutional environment in an attempt to delimit organisational action and to define organisational roles by imposing particular rationalities the validity of which is taken for granted. This argument constitutes the second conclusion.

Before starting the analysis of the Greek Railway Organisation it will be useful to give a short introduction to the nature of railway service and the particular characteristics of that industry which have influenced the development of certain structures of ownership and control and make railway companies worthwhile as case studies. The purpose of this chapter is to trace the conditions that have influenced the development of organisational structures in the railway industry, an industry that world-wide, is mainly run by state-owned enterprises. For that reason the layout of this chapter begins with an outline of the way that the rail industry has developed and a discussion of the factors that have influenced that development. In addition, the recent changes to the European railway industry will be presented in order to gain a better understanding of the conditions that influence the operation of the Greek Railway Organisation. More particularly, this chapter will focus on the effects of the external environment upon railway organisations, the implications of that upon the operational and financial conditions and the efforts for their modernisation. Particular attention is paid to the fact that ownership (whether state or private) is still a contentious issue for the European rail industry.

More over, the discussion will emphasise the particular role of the nation-state both in the development of railway networks and of railway services and in the fact that the railway industry and its efficiency is interwoven with less individualised forms of economic and social activity. As a consequence the role of the institutional environment emerges as a

crucial factor in influencing the meaning of action, roles and accountability relationships in railway companies.

4.2. Factors affecting the financial and managerial efficiency of the rail industry

Any railway company has as its primary function the provision of transportation for people and freight between different destinations. In that sense the activities of a railway company are the same as those of companies that provide transport services (passengers and freight) through the air (airlines), the road networks (busses and lorries) and the sea (ships). The difference between the railway service providers and the other sectors of the transport industry is that the railway companies can undertake various methods of transportation, each with their own characteristics and market¹. That means that a railway service provider has to cope with different requirements of the development of the services and the competition² in each of these markets. Furthermore, the provision of railway services is a very demanding and complex task since it requires day-to-day maintenance of the availability of relevant subsystems like the train engines and wagons, as well as the maintenance of the rail track, the buildings (e.g. railway stations) and telecommunication (e.g. signalling).

The complex nature of railway services, which demands the cooperation and coordination of multiple subsystems, as well as the geographical extent of the railway business, makes it a unique case study. No other transport industry has at the same time the obligation to develop and maintain its infrastructure and at the same time to provide successful (in terms of financial, time and safety efficiency) services (Paradisopoulos, 1989). As a consequence issues of coordination and control are extremely important to the provision of railway services in terms of the safety of the transportation service, and to its economic effectiveness and operational efficiency. However, the rail industry has not been considered a model of

¹ The number of the services varies according to customers' needs. These might be high speed intercity services or frequent community services or rural services or even the provision of railway services for social purposes (isolated areas or areas with low economic interest). Freight services might vary from services provided to big customers who might own their own wagon-fleet to small customers who might want to transfer small parcels.

² Competition to railway transport is subject to the modes of transportation that historically its country has developed. As competitors can be recognized the sea, air and road transport companies and pipelines

financial and managerial efficiency and the particular conditions, under which railway companies operate, have resulted in the accumulation of big financial deficits which have imposed the need for their reorganisation and reconstruction.

During the second half of the 19th century and the first half of the 20th century trains were the main means of transportation for both passengers and freight. The ‘Railways Problem’ (this is how it was characterised by the World Bank in 1992) can be traced back in the early 1950s (after the Second World War) when the importance of the railway industry to the western¹ economies had declined and there was no incentive for private capital to invest in the industry. Investments in fixed assets (railway infrastructure, control and communication systems) became expensive for private capital and as a result efforts to redevelop the railway networks and services came solely from the state, but governmental priorities typically lay elsewhere at this time.

With technological advances, in the aerospace and automobile industries, western governments’ main strategic objective was to invest massively in these sectors (new airports, roads and ports) at the expense of railways (Mourmouris, 2005). In most western countries, personal income gradually increased and made it more affordable for middle and low class households to have their own private car and to use airplanes for long-distance journeys (trains used to dominate long-distance journeys). Only a small portion of governments’ investment was directed towards research and development in the railway industry. Later, the need for more sophisticated and complex services, like door-to-door and just-in-time deliveries that demand multiple pick-ups and drop off points, created requirements that the railway industry was unable to accommodate. Furthermore, the dependence upon petroleum products of the developing car industry and linked industries (such as the road construction companies and car tyre manufacturers) had created a strong economic lobby influencing governmental strategies so that the rail industry was further marginalised in the global economy (Sarigiannis, 1993).

¹ It should be noted that the decline of the railway industry in the former communist countries was delayed until the 1990s when the market reforms started taking place (Perkins, 2002)

The railway business most affected was freight transport. For example in 1974 passengers' usage counted for 55% of the total revenue of UK railways whilst in 1994 it accounted for up to 71% of total revenue due to the decline in freight. The freight business was and still is crucially affected by the economic cycle. For example in the UK the declining importance of coal and steel to UK economy had major effects upon the railway industry (Shaoul, 2004). This decline is a general trend that has characterised the European (and other) railway industries, which within a period of thirty years (1970 – 2000) has seen shrinking of its total transport share equal to 40% of the passenger usage and 60% in parcels and freight business (COM, 2010). Comparing the railway industry to road transport companies (buses & coaches, cars and two wheels vehicles) the latter now takes 84% of the passenger transport compared with 7% for rail (5.8% rail and 1.2% tram and underground) while in freight business¹ the railways takes 10% of the goods transport compared with 44% by the road transport industry (the rest market share is split among the other means of transport). Furthermore in the period 1995 – 2004, when the transport sector rapidly increased its importance to the European economy, the European rail industry had the smallest share of that increase both in passenger and freight transport services (EUROSTAT, 2007).

The inability of the railway companies not only in Europe but world-wide to compete and the low financial support² from the governments forced the management of these organisations to borrow the necessary funds to enable the continuation of their operations.

“Separated from market signals by fiat and/or politics and overwhelmed by the challenge of day-to-day control of what is always a quasi-military operating organisation, the rail culture inexorably focused on running trains and producing ton-km and passenger-km, while struggling to maintain track and rolling stock with unpredictable and increasingly inadequate funding” (Thomson, 2003:312)

¹ “The European Commission frequently extrapolates the trends to show rail freight transport disappearing in 20 years time. This will not happen, but reflects real concerns that rail is losing markets because its quality of service is relatively poor and its labour productivity relatively low” (Perkins, 2002: 6)

² All European Governments finance railways. The provided funds aim to compensate the railway companies for the geographic coverage of the network, the frequency and speed of services. The theoretical ground justifying the provision of financial subsidies lies upon the perception that the long asset lives and the large sunk costs that characterise the investments in the rail industry and are not perceived as optimal for a private company.

These policies resulted in the creation of such high financial deficits¹ (see table, 4.1) that it is considered impossible for the railway companies to repay them and this undermined their future development (UIC, 1992).

Table 4.1: Historical debts of European rail companies (Source: Perkins 2005)

	1994 Railway debts (million ECU)	1994 Rail debt in % GDP
Austria	28921	1.7
Belgium	3539	1.8
Denmark	2782	2.3
Finland	166	0.2
France	28731	2.6
Germany	5795	0.3
Greece	9371	1.1
Ireland	323	0.7
Italy	42067	4.9
Luxembourg	168	1.4
Netherlands	2807	1.0
Portugal	1529	2.1
Spain	8140	2.0
Sweden	1958	1.2
UK	10709	1.2
TOTAL	112543	

Defined by the neo-liberal perception of the role of the state in economic development the World Bank perceives that the financial crisis in the railway industry is the result of state

¹For example the Japanese National Railway Company, which for a period of twenty years suffered from chronic losses (1967 – 1987). Before the company was broken up and privatised in 1987 (Kasai, 2001) the total accumulated debt exceeded the US\$ 286 billion caused by annual losses approaching US\$ 18 billion (Thomson, 1992).

intervention that has restricted the ability of the railway companies to adapt to the new conditions imposed by the technological advancements and market competition. State ownership and control, is decisive, more or less, in all countries (apart from USA) and it is seen as causation for the disorientation of management from business objectives towards political imperatives. For that reason the quality of services provided by the railway companies is inadequate for customers' needs and for that reason they are under priced.

An additional factor that has restricted the competitive position of rail enterprises is the high labour cost, which for most railway companies is the largest part of total operating cost. Apart from the US rail companies and the Chinese Railway Organisation few of the rest of the world's railways have a labour cost-to-revenue ratio that it is between the 50% and 100% whilst in Europe the same ratio tends to reach 80% and 120% while in some cases it is well above the 200%. That ratio means that one Euro of revenue costs approximately one Euro or more, in labour alone (Thomson, 2003). For that reason all the efforts for the modernisation of the railway industry around the world sought the reduction of the labour force. For example the reorganisation of the Japanese Railway Company (JNR) resulted in a reduction of the number of employees by 34%. In Canada the National Rail in the period 1990 to 1997 reduced the number of employees by 28%. The pressure exerted by industrial unions¹ against efforts to change work rules to boost productivity, as well as strict regulations are considered as a major reason for the difficulties of the railway companies to adapt to new market conditions.

Governments eventually responded to the decline of the railway industry for two main reasons: firstly because of the high deficits that railway companies had accumulated and secondly due to the increased importance of the railway industry in the creation of a social

¹ The modernisation of railway companies focuses upon the reduction of the labour cost and consequently governments have introduced a number of redundancy schemes. A common practice followed by railway companies is a gradual attrition of the labour force. This policy has the negative effect that the loss of labour force is not replaced by younger people with newer skills. In cases where the organisation is at the edge of financial collapse more active labour redundancy programmes are adopted in order to improve efficiency and labour productivity ratio

and naturally sustainable environment¹ (train as a means of transportation is considered more eco-friendly than air and road transportation). Focusing upon the European railway industry which provides the wider context of the Hellenic railway industry, these changes have had two strategic directions; in order to make railways more competitive to passenger and freight service the first strategic direction has aimed to redirect rail services towards combined transportation systems and to the development of high speed networks; whilst the second objective has been to change the structural elements of the provision of rail services and to introduce new forms of management and competition in the European railway industry.

4.3. Reforms in the European Rail Industry

Whilst many countries have pursued their own rail reform agendas, driven by the national priorities and characteristics, related to the role of the rail industry in the economic settings of each country, the EU has also played a major role in influencing change and the formulation of national strategies. While changes differ significantly² from country to country the general trend is towards “*a single model of competing train operators using a network run by separate infrastructure managers*” (Perkins, 2002: 6).

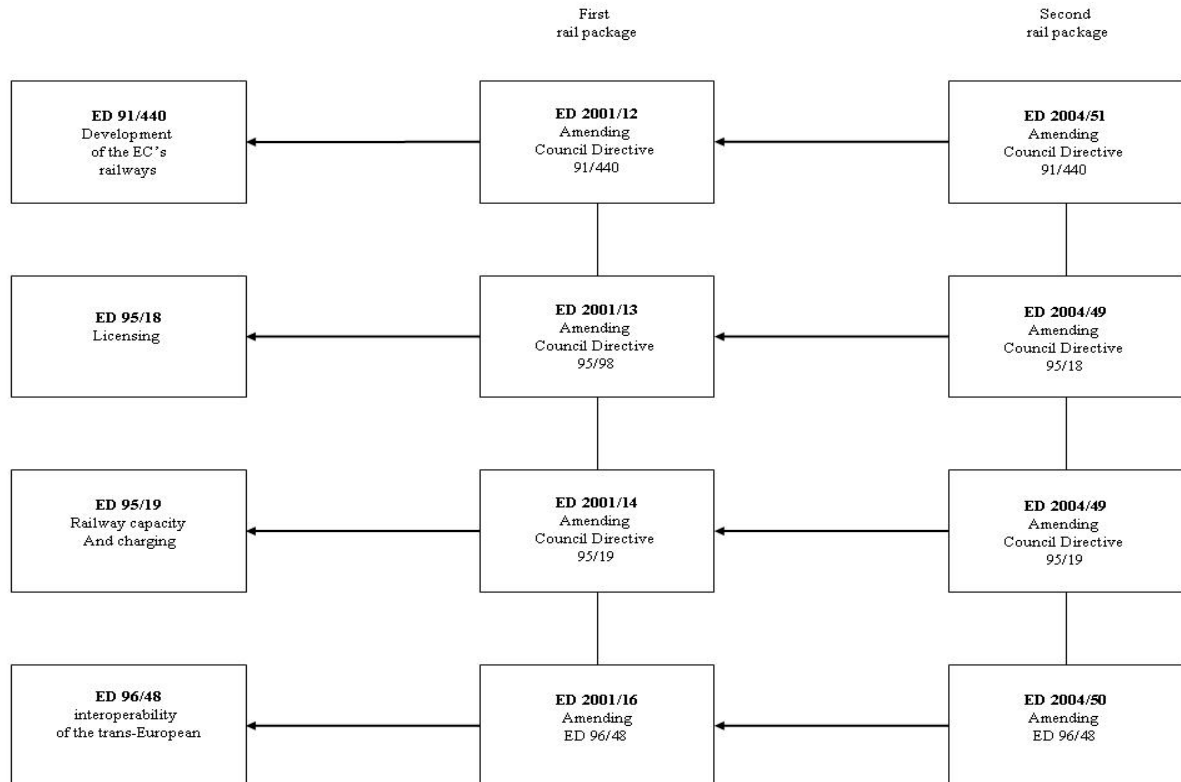
The objectives of EU transport policy are defined in the 1996 and 2001 White Papers COM, 1996 and COM, 2001 major objectives of which have been the provision of efficient and effective transportation systems that will enhance the mobility of people and business throughout Europe and at the same time promote, environmental (e.g. the environmental targets agreed in the Tokyo summit) and social sustainability (mobility will bring economic growth and employment). The European strategy for the development and the modernisation of the railway industry was first defined by ED 91/440EC and later by the so called ‘Rail

¹ “...on average, passenger rail currently emits approximately half the carbon dioxide per passenger kilometre of cars and around a quarter that of domestic air-travel. Since 1995/6, passenger rail has improved its position substantially: average emissions per passenger km falling by an estimated 22% compared to an 8% reduction from car traffic and 5% increase from domestic air-travel” (ATOC, 13th March 2007).

² Complete separation in private companies (Great Britain); holding company (Germany and Italy); infrastructure managers and railway companies set-up as separate companies with different executives (Denmark, Finland, the Netherlands, Sweden, Portugal and Norway); hybrids where railway infrastructure financing is separated but infrastructure and operating activities remain under one entity (France, Austria); separate division within an integrated company (Belgium, Greece, Ireland, Luxemburg) (NERA, 2004)

Packages' introduced in 2001 and 2004 (see figure 4.1). The rail packages are an explicit model that influences the formation of certain patterns of interaction and integration between national railway industries and their institutional environment. Aiming to create a single European rail market the introduced changes promote the liberalisation of the European rail industry and the abolition of national states' monopolies. For that reason the introduced EDs establish, rules and conditions that raise the geographical, technical and technological barriers in order to create competition and interoperability between the different national rail networks. Opening up the railway industry to regulated competition was intended to attract companies *"from other backgrounds, with solid experience of logistics and inter-modal integration"* the arrival of which is expected to increase competition and to improve the quality of services (COM, 2001: 27). The aim of the European Commission is competition to impose radical changes in the ongoing patterns of managerial and operational action and to redefine the relationship of the state owned railway companies with their institutional environment.

Figure 4.1: European Directives defining the liberalisation of the European Rail Industry



ED 91/440 imposed the requirement of separate accounts to be kept for railway infrastructure management and the provision of railway transport services¹. Furthermore the directive provided certain access rights to international rail transport for railway undertakings (companies that provide railway services). Articles four² and five³ promote independent and transparent administration in order to secure management's market orientation and rail companies' competitiveness. Furthermore, in article nine⁴ the EU explicitly defines governments' obligation to undertake all the previous years' accumulated deficits (EEC, 1991).

ED 91/440⁵ was a first step towards the liberalisation of the European railway market and the potential privatisation of the railway operators. The separation between rail infrastructure manager and service providers can be seen as the effort of developing a new mode of railway business since it enables individual undertakings to compete with publicly owned undertakings and to operate a wide range of services over the same infrastructure. The basic change is the changeover from an integrated hierarchical structure to one with fragmented

¹ Article 6: "Member States shall take the measures necessary to ensure that the accounts for business relating to the provision of transport services and those for business relating to the management of railway infrastructure are kept separate. Financial subsidies paid to one of these two areas of activity may not be transferred to the other. Member States may also provide that this separation shall require the organisation of distinct divisions within a single undertaking or that the infrastructure shall be managed by a separate entity..."

² Article 4: "Member States shall take the measures necessary to ensure that as regards management, administration and internal control over administrative, economic and accounting matters railway undertakings have independent status in accordance with which they will hold, in particular, assets, budgets and accounts which are separate from those of the State..."

³ Article 5: "Member States shall take the measures necessary to enable railway undertakings to adjust their activities to the market and to manage those activities under the responsibility of their management bodies, in the interests of providing efficient and appropriate services at the lowest possible cost for the quality of service required. Railway undertakings shall be managed according to the principles which apply to commercial companies; this shall also apply to their public services obligations imposed by the State and to public services contracts which they conclude with the competent authorities of the Member State. Railway undertakings shall determine their business plans, including their investment and financing programmes. Such plans shall be designed to achieve the undertakings' financial equilibrium and the other technical, commercial and financial management objectives; they shall also lay down the method of implementation..."

⁴ Article 9: "In conjunction with the existing publicly owned or controlled railway undertakings, Member States shall set up appropriate mechanisms to help reduce the indebtedness of such undertakings to a level which does not impede sound financial management and to improve their financial situation..."

⁵ As this was completed with the directives 95/18, 95/19 and 96/48

structure based upon contractual relations between infrastructure operators and service providers (ECMT¹, 1996).

Separating government from the operation of railway organisations has proved a difficult task as it makes the responsibility of each party visible, an objective that was very difficult to realise under the previous organisational structure, and the amendments introduced by ED 91/440 were not perceived as radical enough to achieve the necessary modifications. The assessment of the development of European railways made by the EC in 2001, demonstrated that the objective of fair and non-discriminatory access to the infrastructure had to be enforced through, the separation of certain essential functions and the creation of a rail regulator, fulfilling the control and implementation functions as well as through the separation of profit and loss accounts and the balance sheets (COM, 2001).

The first “package”, attempted to create a genuine European rail market. The directives opened up the competition in international freight transport in 2003 a strategy that was fully applied in 2008. These seven years (2001 – 2008) were a transitional period provided by the EU in order to allow the different national rail systems to meet common safety and harmonisation standards, which promote interoperability between national rail networks. Moreover, the first package introduced access rights to all networks for any operator thus national governments were compelled to establish rules and fees for the allocation of capacity to multiple operators.

In the same way the second European Rail Package further enforced the implementation of common legal and technical aspects for the European rail industry, which has to be considered as a unified area (COM, 2004). The third rail package, which has not been implemented yet (in 2010) is expected to be an additional step towards competition in the European rail industry by liberating the provision of passengers’ services from the first of January 2010 and further to extend the access rights to include cabotage² (The Scottish Government, 2008). The main objective of the European policy has been to liberate the

¹European Conference of Ministers of Transport

² i.e. loading and unloading international trains and adding and removing wagons within transit countries and to cover domestic freight markets

European Railway Enterprises from the close relationship they have developed with national governments (it has to be remembered that this strategic direction is in accordance with the points made out by the World Bank). The changes imposed by the European Commission have aimed to open all EU rail infrastructures to licensed competitors and to break down the barriers in rail transport dominated by state monopolies. National states' intervention has been seen as a major problem as it disorientated the management of railway companies and confused operational with governmental objectives.

“Government ministers set policies, define social objectives, regulate safety and economic activity, and play politics” (Thomson, 2003:316).

The dominant role of governments made railway organisations vulnerable to unreasoned and inconsistent demands from ministers and political institutional factors. The clearest examples are the obligations imposed on the railway companies to operate unprofitable services for social reasons, or to impose tariffs below the marginal cost, or providing discounts to particular social groups (e.g. soldiers, or families with many children). Often as in the case of the Greek Railway Organisation, the burden of these imposed policies has been undertaken by the rail companies and not by the state, which decided and imposed these policies (Mourmouris, 2005). Financial agreements have aimed to establish mutual responsibilities for rail companies' management and National Governments. Nevertheless, forms of accountability that attempted to introduce more transparency and feasibility into relationships between the state and rail organisations proved to be not very effective, notably because the national governments never fulfilled their obligations towards the organisations (Thomson, 2003).

The European rail industry has been the subject of intensive reconstruction and reorganisation that attempts to make the operation of the railway organisations more efficient by introducing managerial methods of administration and by privatizing rail operators. Following the dominant neo-liberal ideology the social role of the European rail industry under national ownership is redirected towards the model of private company, based upon the notions of performance, efficiency, and competition. However, the introduction of the ED 91/440 and of the subsequent rail packages reveals the interplay between the national

governments, the rail companies and the EC. While the EC did not impose the privatisation of the railway operators, and infrastructure managers, but rather market deregulation, it has to be emphasised that the selected policies constitute a normative paradigm in that direction. The reasoning is that privatisation “*is probably the most silent and direct*” of the dominant discourses that re-defines the concept of what constitutes private-public benefit/service/commodity (Pagoulatos, 2006: 136).

In that interplay accounting practices¹ play a central role in the modification of the long-term perception that characterises the European context in which rail services are regarded as a social good provided by the state. Therefore, the reorganisation of the European railway industry makes apparent the intrinsic role of accounting in the development of business knowledge and privatisation culture.

4.4. The use of accounting in the modernisation process

Within Chapter 3, it was mentioned that the institutionalisation of structural properties intends to provide substantial meaning to roles and relationships². Securing the necessary freedom to management to run rail companies as commercial businesses independent from governmental influence has been the central theme of the EU’s policy as formulated by the EDs. In order for the management of the rail companies to gain the necessary independence

¹ It is of value to mention the contribution of the railway industry in the development of accounting for accountability purposes. In the period 1830 – 1870 the British railway companies were the first multi-million-pound enterprises, with large number of shareholders, the world saw. Aiming to secure shareholders interests, the Great Western Railway Act 1835, initiated the use of accounting and financial reporting for accountability purposes (Lee, 1982: 80).

² The utilisation of accounting in the process of privatisation is exemplified by the case of the Canadian Railway Company (CN) as well. Accounting rhetoric was used to express a ‘*hard line, economic rationalist, free market ideology impelled*’ CEO and assisted him to impose a particular rationality that redirected the organisational knowledge from the provision of rail services according to traditional norms to business direction that were intended to make the company more competitively capable to compete with the more efficient US operators (Craig and Amernic, 2004). In the Canadian case, the CEO asserted his power from two main facts: the first is that he, as a personality, was deemed capable of effecting organisational reformation, while the second fact is the wider perception in the Canadian culture of CEOs as individuals capable of exercising ‘pragmatic leadership’ and who are actively engaged in important issues of the day. Having established his position in the organisation the CEO was in place to promote his prearranged objective, which was company’s privatisation. In that process accounting was used in such a way as to win the public support for turning CN into an entity operating according to private criteria (Craig and Amernic, 2004).

to formulate competitive pricing strategies, a sound financial structure had to be developed. For that reason the crucial change has been the separation between service operators and infrastructure managers.

Following the structural characteristics of the other modes of transportation, the separation of these two activities has aimed to allow operators' managers to develop the necessary operational and business strategies and to be evaluated on their performance without having to bear the cost of maintaining and modernising the railway infrastructure. Furthermore, the requirements for separate management and in addition, for separate accounts between the infrastructure management and the provision of transport services attempts to make visible the provision of financial subsidies from the national governments; a practice that compromises competition between state owned and private rail service providers. The provision of financial subsidies is restricted to the infrastructure manager and to the provision of services for social purposes. The need for transparent management of rail businesses introduces the use of financial and managerial accounting systems as structures that promote visible and trustful relationships between the EU the national governments and the railway undertakings (public or private).

The decision of the way that segregation of the national rail industries would be implemented is a choice left to member governments of the EU. Even though, the business separation between the different business activities is perceived by the EC as a more transparent and efficient way to oversee the cost and revenues of the state owned operators. While EDs 91/440 and 2001/12 did not require the implementation of that particular strategy as the following citation indicates, the market driven objectives imposed along with competition, implicitly aim to impose the institutional separation of business activities.

“The law does not require institutional separation... though the emphasis in commercial market-driven entities would certainly suggest institutional separation along lines of business: moreover, if infrastructure is institutionally separated the keeping freight and the various passenger services institutionally combined is much weaker... in addition if market driven entities compete with private companies, institutional separation would make it easier for publicly owned commercial operators to respond to pricing and costing needs and to prove that no State support is being provided to the competing entities” (ECMT, 2007: 7)

The silent objective of the EU was that institutional separation would endorse privatisation since the *“private involvement and institutional separation tend to reinforce each other because private companies require the clarity that institutionalisation brings”* (ECMT, 2007: 7). It becomes apparent that the strategy of the EU to impose requirements for the managerial and accounting separation between the railway business divisions reinforces the need for the organisational segregation of these activities, aiming to endorse the privatisation of the railway operators.

However, due to certain materialistic conditions¹, mainly related to the technical operational characteristics of the European rail industry, privatisation and corporatisation as structures underlining the rationality of organisational action, fail to provide adequate justification over the efficiency of the implemented changes. The best example of the implications arising from privatisation in the European context is the UK railway system². Their privatisation began in 1993 and it was completed in 1996. The decision of the then British government was justified on the grounds that privatisation would improve *“industrial performance by subjecting the nationalised industries to the discipline of the market and yield benefits, via greater*

¹ The model of the reorganisation of the European railway emanates from the US one, where 40% of the goods are carried by rail. However the US industry is a quite distinct context from the European one. The differences can be identified in three main factors. The first is that the US network is not technically fragmented which is a very important condition since no railway system in Europe can be fully competitive unless all matters relating to interoperability and technical barriers (as these have been influenced by the different social, economic and geographic characteristics of the member states) will be removed. The second reason is that size of the territory of the EU-25 (all the 25 countries) is only two-fifths as large as the United States. This condition makes the per unit cost of rail freight transport more efficient for the US rail operators. For that reason the US rail industry, which constitutes the model for the changes in the European context, is an inadequate paradigm. An additional reason that makes the US railway system an inappropriate model for the European railway market and the environmental and social sustainability objectives set by the countries members of the European Union is the low density of the rail network. In 2003 the EU-25 was counting 50 km of railway line per 1000 km² while in the US was only 17 km of railway line per 1000 km². This is an evidence that justifies the argument that competition in the provision of rail services results in the devaluation of parts of the rail network that have no commercial and consequently profitability potentials and lead to its abandonment and deterioration. In the United States the privatisation of the railway industry has led to the exploitation of services that will generate substantial profits to the private providers. This is why competition is restricted to the freight service provision and has excluded the provision of rail services to the passengers. Rail services to passengers are undertaken by the publicly owned company “Amtrak”.

² The UK rail industry is the only example of a totally privatised European industry and for that reason it provides a very good and unique example of the negative effects of privatisation in rail business.

efficiency from the ability of the new owners, with their superior management skills, to intervene and control performance that would benefit everyone'' (Shaoul, 2004). However, as a poll by YouGov.com in January 2002 show, 65% of the population in Britain believe the railways have worsened since 1997 (Leach, 2004). The case of the UK railway industry, which is the only example within the European context where privatisation gained a holistic character (the UK government privatised rail operators and the infrastructure manager), is discussed in the following section.

4.5. Railway privatisation a venture with uncertain potential

Discussions over the profitability potential of the UK railway industry started to take place in early 1970. Studying other modes of transport and mainly the pricing systems for the use of roads, the proposed strategy was based upon the idea to split service providers that can operate profitably from the infrastructure, which has to be subsidised. For that reason the potential for the railway industry to become profitable was perceived to be achieved by the separation of operating services and infrastructure (Lapsley, 1984).

Privatisation in the UK, eventually adopted a more holistic approach and included not only the service operators but in addition the infrastructure manager. The former state-owned British Rail was transferred to Railtrack plc and the equity issued to private sector investors, while the company's income came from infrastructure user fees charged to private sector operators, who were awarded train franchises. The rolling stock was transferred to three asset-holding companies, which then leased it to operators (the freight rolling stock was sold off to three freight operators). In addition the government established the rail regulator in order to regulate Railtrack's activities, whilst the performance of train operators was monitored by the Office of Passenger Rail Franchising (Charlton, 2000).

The model adopted by the British rail industry, has proved to be inefficient, costly, based upon complex relationships and was considered responsible for safety failures. The privatisation of the British Railway Company was followed by a number of tragic train accidents that were directly linked to safety issues and made visible the absence of a relevant safety culture in the private operator. This problem was further reinforced by its business policy not to invest in track maintenance.

“Under Railtrack’s ownership (1996-2002) the rail network suffered considerable neglect and there was a public and political perception that shareholders’ interests were placed before reliability and safety” (McArtney, 2004: 7).

In 2001, the financial problems the company was facing and its inability to adequately maintain the rail infrastructure led Railtrack to financial collapse, and put the company under state’s administration. The inappropriateness of the venture in the UK rail industry, was clear from its early stages *“the £500 million cost of privatisation, followed by the sale of rolling stock companies (ROSCOs) for a £900 million profit just months after they were privatised”* (Leach, 2002:13). In addition the UK government was paying public subsidies for ‘Railtrack’, which was a private monopoly, whilst it simultaneously paid out £600 million dividends.

The UK example indicates the implications that financially orientated measurements might have for the formulation of operational strategies. The use of financial measurements for the formulation of accountability relationships, concentrates the control relationship, and as a consequence the critique on railway organisations, and their ability to operate in order to generate profits. However, financial targets provide no guarantee of efficient resource allocation¹ (Lapsley, 1984).

While the EU has understood these implications and has provided a seventeen year (1991 – 2008) transitional period for national rail industries, the liberalisation of the railway market still introduces complex patterns of integration between the railway systems (technical and managerial), the formulation of which are based upon contractual relationships. It is indicative that in the United States, the local, private rail industry rejected the proposal (made by the government) for the separation between infrastructure and service provision in the light of the difficulty of allocating responsibilities between the parties involved in the contractual relationship. There is doubt, therefore, that the model of reorganisation in the railway industry promotes the modernisation and the efficient operation of the rail industry. For example in the period 1990 – 2003, the effort to create a Trans-European, high-speed rail network (speeds at 250 km/h or more) led to the creation of 2,799 km of high-speed rail

¹Financial targets may encourage the adoption of less profitable projects in order to boost short-term profitability objectives

track. Although, the “Eurostar” network (linking London with Paris and Brussels) is present in the UK the country’s network had not adapted to high-speed standards in the manner achieved by France and Belgium (EUROSTAT, 2007: 12). The effort for the establishment of high-speed networks has been adopted by the integrated (infrastructure and service provision under one business entity) state owned French and Belgium’s rail companies but not from the private, UK rail companies. As Shaoul states, the financial collapse of Railtrack soon after its privatisation makes visible the problems of private ownership and finance in capital intensive business:

“...it is impossible to provide efficient, safe, affordable and pollution-free public transport as long as it is a commodity to be sold for profit and run in the interests of the providers of finance. What is required is a planned system of public transport integrating all modes of transport – for both people and freight – that will end the overdependence on private motor vehicles” (Shaoul, 2006:36).

That conclusion transfers the argument over the financial ineffectiveness (mainly) of the state owned operators from their close relationship with the government to the dominant patterns of economic and social relationships within which they operate. The argument made above is further supported by examining the conditions that underlined the development of rail passenger services in the US, and France.

“The 1950s and 1960s were decades of profound change for both France and the United States... the [USA] had emerged victorious and unscathed from the Second World War... a torrent of pent-up demand was released for new housing, new automobiles, and new products... France, in contrast, emerged from the war a shattered nation... it opted for dense, mixed-used urban development connected by fast and efficient rail service. In the United States, most of the new growth took place outside the city centres, unplanned and uncoordinated. Housing developments, office parks, and shopping centres were scattered across the country side, connected by miles of asphalt. A conscious decision was made that the automobile and the airplane would be the backbone of our postwar transport systems. We invested hundreds of billions of dollars in these modes, and in these modes only... We are now beginning to suffer the consequences of our shortsightedness. The Interstate Highway System is choked with traffic... Our airports are just as crowded... meanwhile... Amtrak is a capital-starved railroad, which... is still operating most of its trains at speeds that do not exceed 79 miles per hour... France... in September 1981, launched the first super fast train, the TGV. The rest as they say is history...” (Doukakis: in Meunier, 2002)

To recapitulate, in an economic system that considers that the main interest is the maximisation of private capital it is understood that priority will be given to those sectors of the economy that maximise private investment. Under conditions of free market competition the only way that the railway industry will regain the necessary market position, is the present transportation system to reach its financial and environmental limits. Only under the pressure of social control, will governments be forced to adopt more rational approaches to the planning and development of transportation systems and more particularly to the function and the role of the railway industry (Sarigiannidis, 1993).

4.6. Conclusion

The first objective of this chapter was to establish the problem in the rail industry as that it was defined by the World Bank and the European Commission, and to underline the major changes initiated in the European context. The aim was to develop linkages with the analysis made in chapter two, and to make explicit that the reform introduced by the European Commission's directives, concerning the European rail industry, are based upon the principles of managerial accountability, that constitutes the dominant model for public administration policy.

The reforms emphasise the need for increased financial efficiency in the management of rail companies that will result from the increased visibility in managerial action and decision, and from the deregulation of the rail industry (the competition between state-owned and private operators within a common European market). Taking from that, the second objective of the chapter was to make apparent the role of accounting in the realisation of the objectives of visibility and market deregulation in the rail industry.

In order for enhanced visibility and competition in the rail market to be achieved, European directives impose the separation of the various business units of the state-owned rail organisations. The objective of disaggregating operators from the infrastructure manager is to separate their financial accounts. The use of accounting techniques aim to measure managerial performance and the effectiveness in the utilisation of financial resources, to allocate responsibility for the output results, and to ensure that rail companies are not

financially subsidised by national states. The latter is a critical condition in sustaining a competitive rail market where private and state rail operators compete in order to increase their profits.

However, as was emphasised, the implicit objective of the reform in the European rail industry is the privatisation of rail operators. It was made apparent that the European Commission perceives private companies as more efficient in delivering customer orientated services than the state-owned operators. However, the exemplification of the operating conditions in the UK and the USA rail industries, challenge the European Commission's argument over the efficiency and effectiveness of the privatisation of rail companies, and especially the privatisation of the rail infrastructure manager. That was the third objective of this chapter.

To sum up, the European directives tend to restrict the reform strategies in the rail industry towards the model of market deregulation and the privatisation of the state-owned rail companies. However, the fact that the model of privatisation within the European context, is restricted in the UK (let me say that private and privatised state-owned rail companies can be identified in other European countries as well. However, only in the UK privatisation gained such a momentum), in addition, to the variety of business models adopted by the various European countries, indicate two interrelated facts; the first is the inability of privatisation as structure influencing the patterns of organisational action in the European rail industry to persuade of its efficiency, while the second is the ability of the state owned rail organisations to influence the process of the transformation of the European rail industry. Using the French state-owned rail organisation (SNCF) as an example such a power capacity is the result of the system's ability to persuade the environment of its competence in successfully serving its social role.

The purpose of the following chapter is to link the managerial accountability reforms to the context in which they were introduced.

5. Chapter – The Hellenic Railway Organisation (OSE): administrative corporatisation and social control (the period 1970 – 1996)

5.1. Introduction

One of the arguments articulated in Chapter 3, was that agents are located in institutional environments, and their action is shaped by pre-existing rules and relations of power that define the accountability relationship. The present chapter aims to sketch the rules, norms and relations of power, within a particular time period (1970-1996), that shaped the formulation of the meaning of the accountability relationship between organisational actors and between organisational actors and their institutional environment. The purpose is to analyse and make sense of the context in which managerial accountability reform applied.

For that reason Chapter 5 is divided in three parts. The first part of this chapter aims to depict the circumstances under which state-ownership emerged in the Greek rail industry, and to draw the basic lines that define its position within the Greek social and economic context. For that reason the first part of this chapter is dedicated to a brief historic overview of the conditions influenced the development and decline of the Greek rail industry, and the particular role of the Greek state in that process. However, the analysis in this chapter mainly focuses on the period 1983 – 1989, when social control bodies were introduced in an effort to make company's administration more transparent and socially productive, and the period 1990 – 1993, when the then conservative government attempted to redefine the accountability relationship according to managerial objectives. The aim of these two sections is to depict the way that the initiated changes have influenced the patterns of interaction and integration between organisational agents. More particularly, the aim is to bring to the surface the actual modes of mediation as these evolved during this period, and to draw attention to the materialistic conditions that influenced the formation of accountability relationships.

5.2. Brief Historical Development

The Hellenic Railway Organisation (OSE) was established in 1970. However, the history of the Greek rail industry starts much earlier and dates back to 1855 when the ‘Athens to Piraeus Railway Company’ was established¹. Until the early 1960s the rail industry in Greece was characterised by the existence of a large number of mainly private enterprises operating, maintaining and developing the rail network.

“The first trains in Greece belonged to private companies. The organisation of these companies was satisfactory: Detailed regulations determined each service activity with "military-type" discipline. This meant that thousands of people from different social classes, with different educational background and from different countries cooperated in harmony for many decades. Moreover, the railway growth led to the improvement of the post and telegraphic services that were related to trains” (www.ose.gr; trans.).

Private companies had established a corporate culture mainly based upon a ‘military-type’ of discipline that allowed the successful implementation of the railway services and the efficient development of the railway network. This military culture influenced the patterns of organisation, between the various organisational roles in the OSE, till the late 1970², and resulted in the development of a technologically advanced rail network. As a senior manager stated (trans.):

“SPAP as private company operating in order to maximise its profit had managed to develop in 1867 the Peloponnese rail network which until the 1963 was more advanced than the road network. The managers and employees emanating from SPAP had learnt to operate under conditions of economic effectiveness and they were more capable than those emanating from SEK [the state-own operator] that had learnt to operate as public servants” (Interview TK, 30 August, 2006).

¹ In 1882 the ‘Piraeus-Athens-Peloponnese Railway Company’ (SPAP), was created in order to develop and operate the railway network in the southwest part of Greece, Peloponnesus. In 1884 the ‘Thessaly Railway Company’ (THR) was established linking Thessaly’s network with the main track to Athens and Piraeus. Both these companies were private public companies whilst the first state owned company under the name ‘Greek State Railways’ (SEK) was established in 1920, the primary objective of SEK was to integrate all the peripheral railway companies and to reconstruct the Hellenic railway industry. In 1967 SPAP and SEK merged into a state-owned rail company that later in 1972 became what is known today OSE.

² Between 1967 and 1974, for a period of seven years, Greece was not a democratic state, governed by an elected by the Greek people government, but it was ruled by a military fascist regime. For that reason the company’s governor was a high rank military officer.

During this first period (from the country's liberation from the Ottomans in 1830 and the establishment of its independence and legal sovereignty) the imperative need for public infrastructures that would enforce an internal market and consequently industrial and agricultural production brought the progression of the rail network to the forefront of the Greek government's plans. Many managers and employees as well as representatives of social groups who participated in the present research argue that the railway industry in Greece begins and ends with Prime Minister Trikoupi¹, since no one before him or after him, managed to develop and implement any major railway project².

After the end of the Second World War, following the general trend in Western European Countries, the development of the Greek rail industry stopped being a priority for the Greek Governments which transferred the available resources mainly to the development of the road transport.

5.2.1. The development of the rail industry in Greece: the period 1950-1970

The shrinkage of the Greek rail network started in 1955. The Greek Government's justification for that choice was the financial inefficiency of rail companies. However, the wider perception has been that this strategy was the result of the conscious strategies pursued by the Greek government to support the development of road transport at the expense of the railway. Since the 1950s the strategies that have been followed by the Greek governments were mainly orientated towards improvement of road transport³. As a result of the contempt shown to the Greek railway industry, by successive Greek governments⁴ a large number of urban and regional services in Athens and elsewhere were closed down. The powerful road

¹ From 1875 until 1895, he served as a Prime Minister of Greece seven times.

² This is a common perception among OSE's managers who emphasised during their interviews that the first serious attempt for the modernisation of the Greek railway industry, after Trikoupi's era, took place after 1995 when the European funds, with the first, the second and the third European Support Frameworks, were made available

³ It is useful to have in mind that this is a period after World War II when European countries depend upon the "Marshall Aid" for their reconstruction. The country's financial dependency resulted in order that its formulated policies be in accordance with the advice of American consultants. It was the period when the US and other Western economies based their expansion upon the automobile industry.

⁴ Under the exhortation of the US the Greek government directed the largest amount of money from the 'Marshall funding plan' (after the Second World War) towards the development of road and port infrastructure.

transport industry¹ reacted furiously to any attempts to develop and expand rail services, and against any attempt to re-open suburban links such as those that the management attempted after 1989 (almost thirty five years since 1955).

“The situation in contemporary Athens, with its unbearable smog, third-world like infrastructures, traffic chaos and the lack of basic quality of infrastructure [this refers to the period before the Olympic Games that reinvented the Greek capital], has not emerged by accident. It was the result of many factors... such as the post-war dismantling of a highly developed network of mass communications based upon rail track. In particular, from 1953 to 1977, 127 km of tracks were stripped – the tram system was closed down following unlawful transactions and blackmail in the Piraeus-Athens-Peloponnese Railway (SPAP) who were developing the line, as rail officials and top officers of SPAP stated at that time... What is quite tragic is that this well-designed network, considered as exemplary by many foreign pre-war transport experts, was destroyed... The only exception... was the expansion of the electricity rail network...” (Hellenic Association of the Friends of the Railway, 1991).

It was not until the 1970s that the first plans for rail modernisation were introduced. This was a response to concerns over the oil crisis, the growth in pollution and the very poor conditions of the railways. Within that hostile environment the provision of rail services was transferred in 1962 from the private operators to the state. The next section of this chapter depicts the first efforts for the modernisation of the state owned rail industry in Greece and the establishment of OSE.

5.2.2. OSE as an autonomous company: The period 1970 - 1983

It was in 1962 when the private operator SPAP and the state owned operator SEK merged into one operator under the name of the Hellenic State Railways (SEK). However, it was not until the 1970, that SEK changed its status from governmental department to autonomous public enterprise known as what it is today (or at least what it was until the January, 1st 2007) the Hellenic Railway Organisation (OSE). OSE was founded as a public enterprise responsible for the provision of railway services, operating for the public interest, according to the rules of the private economy, having managerial and financial autonomy (Law, 674/1970).

¹ The development of road transport has been closely linked to the financial interests of the oil product industry (tyres, petrol, lubricant products etc)

However, turning the organisation to more commercial and consequently managerial directions remained an issue. The main quest for the new company was the development and expansion of the rail infrastructure, an objective, which was not necessarily perceived to be in relation to the company's commercial and business aspects. This is an argument, which reflects the prevailing engineering ethos that influences the meaning of organisational action towards the construction of a technologically advanced rail infrastructure, and the provision of safe and time accurate freight and passengers rail services and which furthermore, indicates continuity in the patterns of organisational relationship, inherited by OSE's predecessors (the private and state-owned rail companies). Whether the rail network would provide the necessary potential for the rail services to be profitable or to provide a return on capital employed or the time period required for the investment to be recovered, were not of a primary concern when investment decisions, concerning the expansion and modernisation of the railway infrastructure, were made. For that reason the new company remained orientated towards the technical dimension of its operation, reproducing already existing roles and relations of power between organisational actors and collectives.

“...the plan¹ lacked any quantitative set of operational objectives. The main focus was... on the modernisation of the railway infrastructure and on the works that had to be made in order to improve the quality of the rail services. Consequently, the role of the civil engineers, who historically had been considered as the ‘ruling organisational class’ remained central in the process of the development of the organisation. On the other hand the empowerment of organisation's commercial divisions remained on paper. In addition, no particular pressure existed for the development of commercial objectives. These are the main reasons why, even today we have not managed to develop a rational policy orientated to economic and financial efficiency...” (Interview PI, 26 June 2006)

Moreover, while that was not the initial intention of the strategic plan made (1966 - 1977), a vertically organized control system was developed that shifted away company's managerial and operational functions, from what was perceived, as compatible with the particular geographic characteristics of the Greek rail network, operational and administrative organisation. This compatible organisation was based upon three functionally, semi-

¹ He refers to the 1966-1977 strategic plan made for the Greek Government by a French company. The plan suggested OSE should remain the decentralised organisation, inherited by SEK, and should enhance the commercial aspects of its business operation.

independent regional departments¹. Nevertheless, the divisions remained operational, divisional managers' powers were restricted, and their powers were transferred to the general manager and his assistant managers. An additional reason for managerial and operational centralisation was the pressure, exercised by non-engineering personnel for promotion to upper managerial jobs and the demand for better salaries in a state-owned organisation operating in very poor working conditions. This pressure mounted in the period after 1981, when PASOK came to power, and the role of the employees' union became critical in the management of state-owned organisations.

“The absence of any commercial orientation as well as the absence of any form of performance assessment did not justify the managerial over-concentration in the headquarters. That outcome was mainly the result of the concentration of railway knowledge in the headquarters and the formulated perceptions that central control of the projects for the modernisation of the railway infrastructure will be more efficient. Furthermore, the gigantism of the headquarters was the result of the pressure exercised by organisation's trade union for better salaries. That was achieved by dichotomising the already existing departments. That policy caused organisational chaos. The headquarters gained total control, without having the responsibility for the actual results [these were still in the regional departments]. (Paradissopoulos, 1989).

To sum-up, using a number of limited information sources² available for the periods before 1983, the above three sections aimed; first to show employees' perception of the role of private rail companies in the development of the Greek rail industry. It is generally acknowledged that private rail companies managed to construct an advanced technologically rail network, and to provide successful rail services to the Greek citizens. For many employees and managers, the efficient operation of private operators was the outcome of a certain corporate culture, based upon strict and impressive rules. For that reason the argument to be made, is that the role of private enterprises in the Greek rail industry is a

¹ OSE adopted SEK's organisational structure based on three regional departments. The region of Macedonia – Thrace (northern Greece), the one of central Greece, and the one of Peloponnese (south-western Greece) (see the rail map). The system was based upon the regional managers who had three business divisions under their surveillance: the 'operational division', the 'track division' and the 'rolling stock and materials division'. Regional managers were accountable over the day-to-day operations to the company's governor (the term used at the period for the CEO), who had the role and obligation to exercise control over the performance of the regional departments. The managers of those divisions had as their responsibility the planning of the activities of their departments and the coordination of the employees' action.

² The strategic plan for the period (1966-1977) was available to the researcher.

legitimate one. Using the argument made in Chapter 3, that structures of signification, domination and legitimation are inextricably linked, it is argued that the ability of organisational actors to make sense of the potential significance of the contribution of private enterprises, in the modernisation of the Greek rail industry, is a matter of the way that the institutional environment, and mainly the Greek Government and the European Commission realise their power while promoting such changes.

The second aim was to make apparent the perception that employees and social groups, have over the role of the successive Greek governments in the development of the Greek rail industry. As was indicated the perception is that after 1950s the successive Greek governments intensively undermined the social and economic role of Greek rail industry. Consequently, the role of the Greek state is seen with suspicion, by employees and social groups. The articulation of that argument tends to indicate that any initiatives introduced by the Greek government for the reformation of the Greek rail industry will potentially cause increased conflicts and tensions in case they will fail to gain the trust of employees and managers over their objectives.

Although, not much evidence was provided, the above sections, and mainly the third one, attempted to indicate a contradiction, between what the 1966 - 1977 strategic plan foresaw, and what actually happened. Based upon the description of the formation of a centralised, vertically managed, bureaucratic organisation, the analysis in agreement with the argument made in Chapter 3, indicates that the process of the reformation of state-owned organisations is a multilevel one; potentially the outcome of the unintended consequences of the action.

The socialisation of the control and managerial structures, which took place in 1985, was a critical moment in the company's development that was aimed at formulating socially accepted corporate objectives and at enhancing independent collective management and social accountability.

5.3. The socialisation era (1983 - 1989)

The socialisation of the Hellenic Railway Organisation was the result of the 1981 general elections and the rise of the Pan-Hellenic Socialist Party (PASOK) to power. It was the first time that a non-conservative government was formed in Greece, and people's expectations were very high. In 1981, the first PASOK government secured 48% of the votes, whilst in 1985 it was re-elected with 45% percent of the votes. At the same time, 12% of the Greek population were voting for more radical political forces like the communist party. The socialisation of the public for benefit enterprises was a political promise made by the socialist party in order to meet the public demand for collective participation in decision making, and increased democratic control and accountability. To quote the governments recommendatory report (trans.):

“With this draft bill, the government of PASOK... does not merely fulfil one of the most important conditions of its contract with the people. It also prioritises and puts forward choices of national interest in order to serve and benefit the entire people ... The socialisation of the public sector aims at restructuring the sector on the basis of its strongest potential ... The state's strategic policies promote efficient management, responsible and conscious efforts for increasing productivity, harmonisation with the environment, and links between employees and the production strata which constitute the companies' customers” (Greek Government, 1983)

The socialisation¹ of the public utility organisations (for example railways, telecommunications electricity supply companies) became a legal act in 1983, codified in law

¹ The socialisation of the public for benefit enterprises, banks and insurance companies means the participation in the management scheme and in the strategic and operational plan development of the following representatives:

- State representatives;
- Local government representatives;
- Employee representatives and representatives of;
- Social groups that are affected by their operation.

The socialisation aimed:

- To serve the national and social interest;
- To establish employees' active participation in decision making;
- The reconciliation of their operation with the regional and local economic and social development plans;
- The economisation of financial resources;
- To increase organisational productivity and performance and the quality of the offering services to the public (Greek Parliament, 1983).

1365. Social control was attempting to establish a new form of accountability relationship within the organisational contexts of state-owned organisations and between the organisations and their institutional environment. The aim was to change the typical relation between the Greek government and the management of public utility enterprises. As stated in the Greek Government's recommendatory report (trans.):

“Socialisation is fundamentally opposite to rigorous state control... with its constant daily intervention and drowning of the initiatives taken by the appointed party administration. The confusion between strategy development and management, the extent of precautionary supervision has created a hypercentralised bureaucratic mechanism... with counterproductive functioning, limited or non-existent wider social and development goals, huge economic deficits, marginalisation and degrading of the employees themselves to the role of passive executor of the demands and exigencies of the bureaucratic hierarchy...”

Prior to socialisation, the Greek public utility companies, although legally independent, in practice were operating as governmental departments. The Chairman of the board, the members of the board and the general manager were governmental appointees, with close political relationships with the ruling party (Papoulias and Lioukas, 1995: 280). This way all important decisions were in the government's hands, empowering the ministers to maintain and reproducing relations of dependence, with the administration in these organisations, with negative effects upon collective management and social dialogue. This relation secured the reproduction of patrons-client relationships with the electorate and moreover (Liberaki and Tsakalotos, 2002: 99), the continuity of relations of power within the Greek society.

Socialisation was a strategic choice that was aiming to bring institutional and structural reforms in Greek society. It was believed that the increased social control would enforce transparency and economic efficiency in the management of these organisations. The structures of social control, decentralisation and democratic planning introduced a dual rationality to the management of the state-owned organisations. The socialised enterprise aimed to secure its social obligations, but at the same time it had the responsibility to balance its operational revenues and expenses. For that reason it was introducing social objectives into the operational practice of state-owned organisations, along with their operational objectives (Lyberaki, A and Tsakalotos, E., 2002).

The next section discusses social control within the context of the OSE

5.3.1. Social control mechanisms and social accountability

Following the government's political objectives for collective management, the administration council was established to assist the general manager in the company's management (the administration council was constituted by the general manager and the assistant general managers). Social control was assigned to ASKE (Representative Assembly of Social Control), which was the company's general assembly. ASKE was comprised of 27 members¹. These 27 members represented the state, employees, local government, and consumer groups. For the first time the company's social and financial performance was attempted to be measured through the social and financial balance-sheets that were under ASKE's scrutiny. Thus ASKE were responsible for approving the company's annual financial balance-sheet and budget. Furthermore, ASKE comments upon and advises the government over the company's long and medium-term strategic plans. According to presidential decree 59 of 1985, concerning the socialisation of the Hellenic Railway Organisation, ASKE's responsibilities are summarised below (trans.):

1. It participates in the formulation of the company's financial and social plan;
2. It decides over the company's investment plan, and the tariffs, the annual needs for material and equipment supplies and matters concerning the employees and the work force.
3. It advises the government over the company's annual budget
4. It approves the annual balance-sheet, the annual financial report and the social accounts;
5. It is responsible for the assessment of the managerial performance and the implementation of the social and operational plan, while it reports to the government.

The institutionalisation of ASKE established the participation of social parties, an act that acknowledged the multiplicity of interests concerning the operation of the railway company and the effects from it. As stated in the Greek Government's recommendatory report (trans.):

¹ One third of these members are governmental appointees, one third are elected representatives of the employees, and the last third represent the social groups.

“Socialising the public sector means firstly giving priority to the national, social, development and production criteria in all choices. The possibility of such quality and hierarchy of criteria and options is ensured with participation. The range and quality composition of this participation ensures the primacy of social and development criteria, as well as the consideration of particular interests ... In other words, a field of organised and effective democratic dialogue is being created ...”

Additional to ASKE, PESKE (local assemblies of social control) and KES (Work Conditions Monitoring Committees) were introduced in an effort to improve work conditions and to enhance social control. Social control was further extended by the participation of the employees’ representatives on the board of directors. The BoD consisted of nine members, six of whom (including the general manager and the deputy general manager) were appointed by the government, whilst the remaining three represented the employees.

Managerial transparency and efficiency became the main objectives of the reforms that were introduced through a complex set of relationships. For that reason, long-term economic and social plans, along with accounting mechanisms were introduced as the modes of mediation in an effort to communicate the meaning of the organisational objectives and to establish mutual accountability relationships between the organisational roles and between organisational roles and their institutional environment. The actual use of strategic and operational plans as interpretive schemes is discussed in the following section.

5.3.2. The use of operational and strategic objectives within the socialisation structure

In an effort to improve the organisation’s managerial and operational efficiency and to enhance collectiveness the then management (1982-1985) drew up a 15-year strategic plan (1983 – 1997) and in addition it foresaw the drawing of a five year operational plan that would particularise the general strategic objectives set. The actions described in the strategic plan were aiming to improve four main features of business activity: investments¹ in rail

¹ More particularly, the 15-year (1983-1997) long-term plan described the following business objectives and investments as essential for the improvement of network’s commercial exploitation:

- Improvement in the operation of the departments and the provided services
- Improvement in the system for informing the public
- Full implementation of an electronic booking system
- Supply of automatic ticket-issuing machines
- Improvement in the cleaning system of trains

infrastructure and rolling stock material, operational reorganisation¹, relations with the government and financing. For that reason, the objectives described were aiming to modernise and systematise the way that employees and managers were operating in their every-day actions (OSE, 1985). The deterioration, or even the elimination, of the financial deficit was the basic economic objective that was identified with the company's strategic plan. However, as it is stated in the following quotation reducing the financial deficit was not considered to be feasible without state's subsidisation. For that reason, the company's management argued that the OSE's performance could not be evaluated according to financial criteria, but rather according to its benefit contribution to the general public interest. As was stated in the 1983-1997 Strategic Plan, (trans.):

“...following the socio-economic analysis, the economic target as it is defined in the 15-year strategic plan, is for OSE to decrease or even to eliminate its financial deficit ... [However] as it happens in the rest of the advanced foreign rail networks, the company's objective is not its financial autonomy [the ability to fund its operational deficit and investment project]” (OSE, 1985)

The view adopted in the strategic plan mirrors the perception of what constitutes the company's social role and underlines the meaning of organisational action and managerial

-
- Increasing the company's share market

As basic operational activities described were those of:

- Market research;
- Operational Research
- Combined and mixed transport services
- The creation of terminal services in the country's main ports
- Competitive tariff policy

As far as the modernization of the rail infrastructure is concerned, the technical works concern the railway track between Patrai-Athens-Thessaloniki, as well as the peripheral rail networks. The modernisation of the network was setting the following actions:

- New double rail-track;
- The electrification of the network;
- The establishment of modern electronic signalling; and
- The use of systems of telecommunication concerning network's management

The completion of the networks was anticipated to have occurred by 1997. It was estimated that the network's modernisation would reduce the journey from Athens to Thessaloniki from 7 hours and 30 minutes in 1983 to 3 hours and 40 minutes by 1997. In addition, the modernisation of the rail network would make the train more competitive and, consequently, capable of gaining a larger share in the passengers and freight transport market. Moreover, the introduction of the new technology was expected to reduce the company's operational costs.

¹ Aiming the restriction of financial deficits operational reorganisation aimed to change the relationship between operational revenues and expenses

objectives. It is a deep-rooted belief, widely shared by organisational actors that the railway organisation cannot become a profitable enterprise, due to the social dimension of the services provided, and due to certain technical conditions that restrict the company's operational capabilities. It is the social dimension of organisational action that gives roles their substantial meaning and defines the accountability framework. Thus, as is argued in the plan made, control mechanisms should be orientated towards the evaluation of the social value added, and not towards the measurement of the company's profitability (OSE, 1985). The Economic Agreement (Law 1485/84) made between the OSE and the Greek Government defined State's financial responsibilities towards the organisation. With law 1485/84, the Greek Government took full responsibility of the company's annual losses.

Due to the absence from the organisation of a department responsible for the formulation of the organisational strategy, this task was assigned to two newly established groups. The first group, which was formed by experienced high rank managers, had the task of formulating the long-term strategic planning (Strategic Planning Team). The second group was composed of young and low-ranking employees who offered to help. Their task was that of the formulation of a short-term operational policy in order for the organisation to meet the demands emerging from the implementation of long-term planning. However, this second group never became active. Consequently, the operational plans that would have defined the necessary measurable actions in order for set objectives to be realised, were never formulated. The assumption made by a manager, who was a member of that second group, over the reasons this group never became active, was that the deputy general manager, who was responsible for the formulation and operation of these two teams, was appointed by another organisation and left OSE. However, such an assumption does not fully explain why the formulation of an operational plan that would have exemplified the strategies and the required financial resources for the efficient and effective implementation of the strategic objectives set, was abandoned.

The formulation of strategic and operational plans was initiated by a group of senior managers in an effort to prioritise the investment and operational actions necessary for the modernisation of the company's operational capabilities. Moreover efforts were made to

communicate these objectives to employees, the government and to social groups, in order to formulate a strategic vision for the future of the railway industry in Greece and to secure everyone's commitment in its application. This is why ASKE's approval was asked. However, OSE had neither the knowledge¹ nor the capacity, in terms of resources and authority, to enter into long-term commitments with the institutional environment, the implementation of which presupposed the existence of trust between the various collectives. More importantly such long-term commitments with definite time, financial and operational targets, presupposed trust in the Greek Government's commitment to fulfil the financial obligations in the 'Economic Agreement'². The implementation of the company's investment project and the objectives set for the modernisation of the company's network and the provided to customers services, was contingent upon the provision of financial subsidies from the Greek Government.

However, the Greek government breached the economic agreement signed with the company in 1984, and did not keep its obligation towards the organisation. As a result, all investment costs burdened the organisation, further endorsing its financial position. The limited financial resources devoted by the Greek government to the development of the Greek railway network have concentrated efforts on the modernisation of the main 'axis' between Patrai (southwest Greece)–Athens–Thessaloniki to the northern borders with Skopje. The rest of the

¹ The 1966-1977 strategic plan, foresaw the creation of a strategic and operational planning department. Even though, seven years (1977-1983) after the plan completed, still the company had not managed to create one. That indicates that planning was not part of the managerial action.

² The economic agreement (Law 1485/84) was attempting to explicitly establish the responsibility of the Greek government towards the organisation. The agreement secured for the OSE the existence of equal competitive conditions for all terrestrial means of transportation. Moreover, it required that the burden of expanding and maintaining the rail network and the communication and control systems was the state's responsibility. Such a condition was necessary otherwise the cost would have been overwhelming for OSE. The ultimate purpose of law 1485/84 (defining the economic agreement between the company and the government) was to set boundaries within which OSE could operate as a profitable enterprise in a competitive market (the competition was understood between train and other modes of transportation, no between rail companies). Consequently, it attempted to establish the necessary provisions for OSE's management to formulate operational policy according to profitability and performance criteria. If it was unprofitable for the organisation to operate particular passenger or freight services, then the management would have the ability to abandon that service. Otherwise the state would have to compensate the organisation for the provision of essential public services, a provision that would be projected by the EU directive 91/440, which was published 25 years later.

network was badly maintained causing delays and deviations from the travel schedule¹ (Paradisopoulos, 1989). Moreover, the emphasis on the modernisation of the main ‘axis’ Patrai–Athens–Thessaloniki, deviates from the organisational approach to the development of the national network, as that has been foreseen in the 1983–1997 long-term strategic plan. Such a strategy² does not necessarily mean that it met the needs of a national rail network constructed and organised according to the transportation requirements of Greek society or the vision of the rail managers and employees (Sarigiannis, 1993).

As with the development of the railway infrastructure, no specific policy relating to the supply of the rolling stock had existed in the organisation. The lack of investments had resulted in the maintenance standards of the rolling stock being very low, a situation related both to the outdated and poorly organised maintenance installations and to the extreme variety of the rolling stock equipment owned by the company. As the following citation indicates; almost every kind of rolling stock could be found in the organisation. It was not until 1989 that the railway organisation decided upon a particular type of rolling stock that would satisfy its needs. Until that time, the acquisition of rolling stock occurred through exchanging commodities³. For example, Greece was exporting agricultural commodities to Eastern European countries⁴, and in return these countries were supplying Greece with railway equipment (until recently no equipment construction company existed in Greece).

The supply of the railway stock was subject to the needs of the country’s foreign policy and the needs for the promotion of the Greek agricultural production. The international

¹ As a manager mentioned (trans.): Due to engine break downs (during the 1980s, he could not remember the exact date), once a train did the journey Athens – Thessaloniki in 16 hours (the average time to travel by train from Athens to Thessaloniki was 8 hours) (Interview HK, 22, August 2006).

² This focusing of development of the rail network in Greece around a single line substantially restricts the development of freight and passenger services in other areas that surround the rail ‘axis’ and, as a consequence, the possibilities for the development of commercial competitive strategies are limited. In addition, the existing rail strip has no connections with the main Greek ports of Piraeus (Athens’s port), Thessaloniki (north Greece, region of Macedonia), Patrai (southwest Greece, region of Peloponnese) and Alexandroupolis (northeast Greece, region of Thrace) (SAAS², October 2005).

³ It is significant that the availability in train engine (measured by the rate - Train engines available for use / Total number of trains) was 2/3 and sometimes below 50%, which means that the 50% or more of the train engines, owned by the company, could not be used. At the same time in other European rail networks the availability rate was 80% or more (OSE, 1995).

⁴ Back then the division between Eastern-Communist and Western-Capitalist countries was still in use.

agreements resulted in OSE having 32 different models of rolling stock. The rolling stock's 'sample book' constitutes one of the main reasons for the low quality and the high cost of the services provided as well as for the substantial increase of the annual deficit (TD Interview, 13 July 2006).

Management was incapable of currying out basic tasks, like the management of the company's commercial policy. The State remained in control of the supply of raw materials and rolling stock and even the supply of office equipment and stationery, whilst it regularly involved OSE in its petty politics, restricting its management's ability to formulate organisational policy and strategy. Thus, organisational management did not change its image as governmental assignee, which was one of the major objectives of the socialisation of the Hellenic Railway Organisation. A former director general stated (trans.):

“DEKOs' notion was interwoven with governmental ownership and with the exercise of shareholder's rights from each, usually per four-year period applied governmental policy. This in combination with the adulteration of DEKOs' corporate objectives, with the interests, and the political objectives of each governmental majority that in the bulk of the cases were opposite to the corporate objectives, provide the basic reasons for the failure of DEKOs' administrative model. It has to be mentioned that despite the declarations from all governments that they assured DEKOs' self governance through their constitutive provisions, in practice such self administration was never achieved” (Interview DK, 20 August 2005).

The lack of managerial independence and the inability to implement the formulated strategies and set objectives, made the existence and operation of ASKE meaningless. ASKE, the social control assembly, has never practically managed to exercise its role, in the formation of the company's strategic objectives and the assessment of managerial performance in a way that would justify management's competency. The assembly's formation was so complex that it allowed each party to control its operations according to its own interests. Every group, the government, the management, the employees' representatives, the local communities and the consumers' organisations, were trying to achieve short-term gains. As an employees' representative in the trade-union and the board of directors stated (trans.):

“ASKE never managed to form a quorum in order to reach a decision. The number of its members was too large and as a result the assembly was dysfunctional and considerations influential in policy making did not allow ASKE to implement its progressive and democratic role. The absence of social control also had negative effects

on the company's financial transparency, since for a period of more than ten years the organisation was not publishing financial balance sheets... (Interview SK, 10 August 2005)

The formulation of a collective agreement on corporate, investment and modernisation plans was an impediment concerned all the Greek public utility companies. However, in many other state-owned organisations, ASKE's representatives were in a position to discuss operational issues, and to deal with approving the annual balance sheets and budgets or with pricing issues (Papoulias and Lioukas, 1995: 282). In contrast in OSE for a period of 13 years (1984-1996) the organisation was not publishing financial statements. For that 13-year period (1984-1996), financial control was exercised by the Greek State through the annual budgets and the budget's review at the end of the year. In addition, annual economic bulletins were issued concerning the main parameters of organisational action, such as the development of the organisational deficit. These bulletins concerned only the Minister of Finance.

To recapitulate, the new patterns of relation were aimed at the formation of collective objectives according to the legitimate structure of socialisation that would promote the integration of the organisational system as a whole. Technical forms of control, like the financial and social balance-sheet, as well as the social and economic plans, as has already been argued, were supposed to be used to connect and regulate the different roles and to make explicit their social responsibilities. However the inability of the company's management to enter into long-term commitments, and to gain trust over its competence to achieve the formulated objectives resulted in ASKE losing its power and consequently, its significance as a democratic framework of social dialogue. For that reason instrumental forms of control like the formulated strategic plan and the social and financial balance sheets, failed to constitute interpretive schemes that established meaningful relations between the various roles.

It is significant that the ability of the various collectives to make company's management accountable for its actions remained even though ASKE was not functional. For example employees' participation in the company's board of directors and through the industrial action secured them the ability to negotiate with the management and the government.

However, such a negotiation concerned partial interests (like the improvement of working conditions and salaries) and not necessarily overall corporate objectives. This is indicated from the company's inability to proceed to its operational and managerial modernisation.

The turning point in the socialisation process was the deregulation and privatisation programme applied in the period 1990 - 1993, by the newly elected conservative government of 'New Democracy'. As the following section indicates, in that process representative bodies were totally ignored. The reactions caused by the modernisation of the OSE according to profit maximisation criteria and the way in which accountability relationships functioned, are discussed in the following section.

5.4. The period 1990-1993: Ideals, structural reformation and privatisation

Using the OSE's inability to modernise its business organisation and operational capacity¹, as well as the increasing deficits of the railway company, as a pretext, the then (1990-1993) conservative government attempted to modernise the company's organisation and its operational activities by appointing the English company 'TR' as a consultant. According to the notice given to the BoD (BoD article 03.11.1992), TR had the obligation to produce a business review and efficiency study concerning OSE's operating patterns. More particularly, the BoD assigned TR the study and the organisation of the company's "Financial and Administrative Programming". In an effort to make apparent the need for the company's managerial and operational reorganisation the consultant made the following rather sharp and demonstrative statement of the poor operating conditions, existing in the organisation (trans.):

"Our international experience makes us believe that the company's operational and administrative standards are very low. We think that it will not be a tragic event if the company stops its operation. The market share it possesses will be easily absorbed by the other means of transportation" (TR, September 1992).

¹ In 1990 the OSE had only 1.41% of the total share in the market of the transportation of freight, and goods, and 4.17% share in the market of the transportation of passengers and that share was mainly concentrated on the rail axis between Athens and Thessaloniki.

The study argued that the company's problems were the result of the established organisational culture, which was defined not by corporate characteristics but rather by those of the public sector. Using the lack of an inventory control system as an example, the study emphasised the total absence of management control systems. As they stated in their report to the BoD, no inventory of the rolling stock material had been carried out with the material stock been unrecorded, available to anyone.

In the light of the application of the European Directive 91/440, the study proposed the company's reorganisation in line with to the examples of railway companies in countries with social, economic, geographical and size population characteristics similar to those of Greece and based upon the business segregation between the infrastructure and the railway service exploitation (e.g. Austria, Denmark, and Switzerland). However, focusing upon the deterioration of the financial deficit, the study proposed the closure of many parts of the already limited existing network (mainly regional networks), and several train stations that were deemed inefficient and of low financial importance. For that reason it proposed the investments in the rail network to be limited to the main railway axis of Patrai-Athens-Thessaloniki. Such a proposal deviated from the 1984 - 1996, strategic plan, and moreover awoke memories of the policies formulated and implemented in the 1950s by the then conservative government, which led to the deterioration of the Greek railway network in favour of the road transport industry. The emergent conflicts are discussed in the following section.

5.4.1. Conflicting structures and effects upon the day-to-day action

The suspicion about government's role and intentions and the lack of social dialogue, in addition to the high politicisation that have characterised the status of the organisational relationships, resulted in TR's study, being seen as an effort made by the conservative Greek Government to impose ideals (privatisation) contradictory to the social nature of the rail services. That perception also emanated from the fact that this (1990 - 1994) was the period when John Major's conservative government was privatising the British railway industry – a venture that was underlined by the neo-liberal ideology and constituted a source of social conflict between the employees' union and the Greek Government. This lack of trust over

TR's role is demonstrated in the following interview with the then president of the employees' union, given in a daily newspaper¹ (trans:)

“The government, and the leadership of the Ministry of National Economy in particular, which, under the pretext of covering economic deficits, fervently wishes to undermine the Railway and to privatize its profitable operational activities², had assigned TR to publish findings which would not only strengthen its proposals, but also give them a scientific basis. TR proposes closing down most stations and lines of the regional network... we were informed that OSE's General Management, who is also responsible for the company's situation, despite having given its consent to cut spending as instructed by the Ministry of Finance, in reality does not agree with it... the Transport Minister also keeps his distance... the main cause of OSE's deficit is its serious structural and administrative problems... as well as tight monitoring by the state, which does not allow the company freedom to play its autonomous business role... it is also charged with the social services expenditure which should have been covered by the state according to the economic agreement (services of public benefit)”.

The consultant's damaged credibility is made clear by the fact that it was implicitly believed by many in the organisation that the study was serving the interests of the British railway industry at the expense of the Hellenic Railway Company.

“It is said that, by serving the interests of British railways which are being upgraded to a high-speed network, they want OSE to develop at medium pace by buying material in the near future which is of no use to British railways” (Sarigiannis, 1993)

The business plan had been fully identified as having been imposed in order to meet the expectations of the ministry of finance (not even the ministry of transport), whose policies were aimed of limiting the country's public deficit by restricting the operation of financially deficient state-owned organisations like OSE. Besides the employees' union's opposition to the study's outcomes, other social groups that have been actively involved in the promotion of the railway industry in Greece reacted furiously against TR's proposals. In their report to the Director General and to the union of the employees (21 January 1993) the members of the non-governmental group ‘Friends of the Railway Association’³ (FRA) pointed out that the

¹ Though I have the copy of the interview from the interviewee's personal file I do not have the date that the interview took place.

² I have to emphasise that this is a widely held opinion, since no adequate accounting information exist that will evaluate the efficiency of the departments

³ In Greek: “Σύλλογος Φίλων του Σιδηρόδρομου”

study¹ has no particular orientation. As they emphasised in their report, the study can be characterised neither as a commercial and financial viability study nor as study focusing on the development and modernisation of the organisational structures. Furthermore, they questioned the validity of the report's outcomes by explicitly stating that the time the consultant has taken was inadequate for such a complex study. Like the employees, the members of the FRA regarded the study as superficial and concluded that it was serving pre-established objectives.

“What is surprising, however, is the superficial and unjustified documentation, with respect to many issues, which leads to the conclusion that the outcome of this study is predetermined. It may be the case that those wishing to wipe out Hellenic Railways would want to ensure at least one scientific-like death certificate. It is unheard of for the State to abandon the railways for so many years... and later abandon it again for not being cost-effective. It reminds me of the Italian movie “Seduced and Abandoned”, where a great Sicilian lover raped a girl and then refused to marry her because she had been raped” (Friends of the Railway Association, 1993)

The study forecast the saving of almost €85 million (29.1 billion drachmas) from an increase in productivity. However, since TR did not support any form of network development that would increase the revenues from network's commercial exploitation (they did not even make suggestions concerning the network's electrification²), cost saving would had been the result of a reduction in employees' numbers from 12,000 to 4,000. This means that the suggestion to the company's management was for them to follow an aggressive policy of sacking more than 60% of employees³ within the next few years. Furthermore, the study anticipated a further reduction of the operating deficit by €126 million (42.7 billion drachmas) from the reorganisation and modernisation of the factories and workshops by

¹ These reactions are based on summaries of the report. The Ministry of Finance probably leaked parts of the study in an effort to tailor the reaction. I did not manage to find out whether the full content of the study was ever revealed to the public and the interested parties.

² It has to be stressed once again that the sources concerning the study's content are internal notes between the consultant and OSE, the contract between the two parties and the description of the responsibilities of each party, a summary of the report made by the consultant and two studies; the one made on behalf of the employees (Sarigiannis, 1993) and a second made by the “Friends of the Railway”. However, I do not have in my possession the main body of the study made by TR. Perhaps no one has, apart from the ministry of finance.

³ In 1992 employees' cost as a percentage of the company's operating revenue was 153%. In other European rail networks the ratio of employees' cost to total operating revenue was 50% to 75% (OSE, 1994).

outsourcing the maintenance of the infrastructure and rolling stock material to private companies. Still, it provided no estimation of the cost that the organisation would have to be remain in outsourcing its factory activities. It was also predicted that the organisation would only save €1.6 million from abolishing the operation of the proposed parts of the railway network (Sarigiannis, 1993).

The proposed strategy raised concerns in local communities as well. On the 20th of January 1993 in a region¹ for which the study proposed the closure of the network the citizens declared their opposition to the proposed policies. They argued that, the propositions were the result of the pressures exercised by the owners of the intercity buses, whose interests were in competition with those of OSE. The sort of policies TR were emphasising, were in conflict with the interests of citizens and local communities. As a result, they lobbied against the proposed closure of the railway network.

“After all this, it is difficult for the inhabitants in the area to believe that the government, using the argument of the doubtful savings of a few millions [Drachmas²], will satisfy the very few public bus service operators [KTEL] who, as is understandable, are interested in and are pushing for the abolishment of the train line in question, and instead the totality of inhabitants. Such a proposal would undoubtedly lead to upset social upheaval, which is desired neither by the inhabitants in the area nor by the government of course” (Municipality of Stylida, 1993)

The reaction against TR’s study, as expressed above, is underlined by the fundamentally different approaches to what had been perceived as a rational railway strategy. The first rationality has been underlined by the concept that the activities of the railway industry must be serving social, national and environmental purposes. This is why the expansion of the network and the creation of suburban railway services, has been considered to be the most important factor for OSE. The need for financial performance, but more importantly for financial feasibility, was not underscored. However, the commercial aspects relating to the formation of strategic objectives were downgraded in comparison to the national, social and environmental objectives that, according to that dominant rationality, should shape the formation of the railway strategy. For this reason, they attacked TR’s study on the grounds

¹ This refers to the municipality of Stylida in the region of Fthiotida in central Greece.

² From 1832 until 2001 when it was replaced by the Euro, GRD was the Greek national currency.

that it did not take into consideration the taken-for-granted aspects of this operationally orientated rationality. As mentioned in the report prepared by the Friends of the Railway Association (trans:)

“A need for multiple criteria:

While the railway project is multifaceted, those engaged in it are only focusing on economic criteria (they were probably given such instructions by the supervisory service) and ignore the following inflexible elements:

Social criterion:

An example of this is given in the case of villages in Arcadia and Messinia [prefectures in the Peloponnese] which are completely cut off because of extreme weather conditions and deprived of alternative transport...

National criterion:

This should not be an issue, especially for stations in Macedonia and Thrace. Will we stop running the train in Ormenio [in Thrace, near the Greek-Turkish border] for example? It's not possible!” (Friends of the Railway Association, 1993)

TR's intentions were made apparent in the introductory statement of the company's operational and financial conditions and its prospects. The predefined objectives of the study, called into question its accuracy. However, questions emerged about the cooperation between OSE's management and the consultant. One of the proposals made by the latter was the closure of 217 from the total of 420 train stations TR claimed in their study were in operation. However, the total number of the train stations at that time was actually 255. Of these, only 168 were operational (OSE, 1993). This clearly shows that there was a gap in communication between the consultant and the management of the OSE. That gap was extended to the absence of any particular form of direction from the management to the consultant. Formally, it was the company's management that had assigned the contract to the consultant. However, in practice, it was clear that the consultant was operating under the instructions of the Ministry of Finance. The main objective of these instructions was the reduction of public spending, regardless of any operational and strategic objectives that the organisation had.

This resulted in the resignation of the then Director General (it is significant that he was a representative of the employees in the board of directors and a member of the conservative ruling party at the same time), who was reported to disagree with the intentions of the

ministry of finance and with the study's content. His resignation caused political turmoil between the government and the employees union in an effort made by the employees to block TR's proposals. In the following press release (made by unionists¹ who politically were attached to the ruling party), the conflict existing between the organisational context and the Ministry of Finance is clear. It was a political conflict that reflected the political dimensions of the operation of the organisation with the unionists asking for the Prime Minister's mediation. Furthermore it revealed the important role of the syndicate as an institutionalised form of organisational structure in influencing the day-to-day accountability relationship (trans:).

“We were surprised to be informed... that the General Director and elective member of DAKE announced that he submitted his resignation to the government so that he could “make its work easier”.

Regardless of the acceptance of his resignation by the government, DAKE... is not accepting it and calls on both the General Director and the government to clearly state which, is the project in question whose removal would accommodate the government.

We clearly state that if this project involves limiting the railway network or the railway staff, then DAKE will defend with all its means both the integrity of the Organisation and the work of its staff...”(DAKE OSE, 1993).

5.4.2. Conflicting interests and patterns of integration

Drawing from the theoretical concepts developed in Chapter 3, the patterns of agents' interaction are influenced from certain configurations of power and conflicting interests. This is why we have examined the effects of the study made by TR; to show how these patterns have been formulated, to identify the conflicting interests and to depict how these factors affect the patterns of organisational integration.

The coerciveness of the external environment has formulated patterns of interaction that are based upon dominant relationships. In such forms of relationship, accountability as a concept becomes irrelevant, since interaction and interdependence are not based upon mutual understanding. In structures of interaction that are based upon dominant relationships, accountability is defined as the power to keep others accountable for their actions. However,

¹ “DAKE”

it has emerged that common knowledge (that has the power to formulate common perceptions over the role and the objectives of the railway company) shapes the action of different social actors (the Director General, the members of the syndicate, the members of non-governmental group and the local community). These common perceptions managed to define common action and, as a result, they formulated a nexus of accountability relationships.

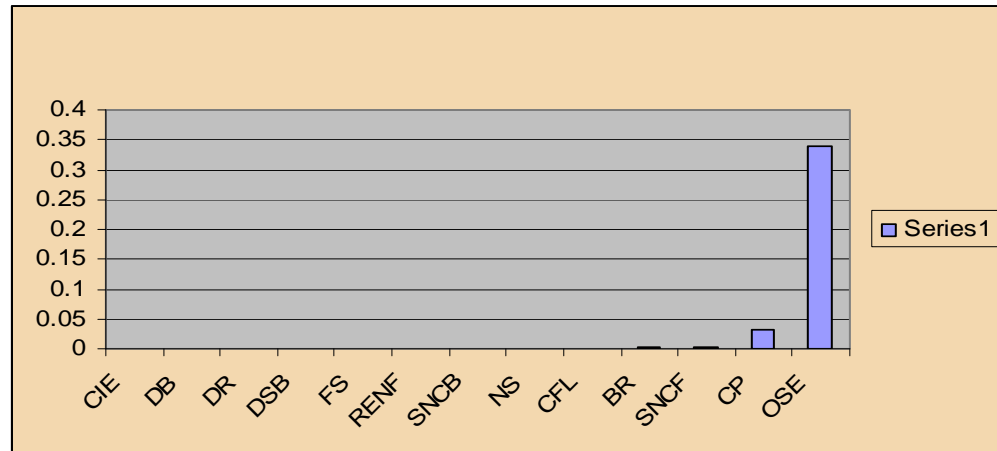
Accountability established a rule-following aspect of action according to the historically developed stock of knowledge. The common shared perception of what constitutes appropriate railway strategy is reflected in the Director General's reaction. Accountability constituted the boundaries of organisational action and consequently led that key actor to resign from his position in an effort to further mobilise social reflections against the proposed policies. Accountability defined organisational membership and formulated common objectives. The collectives were aiming to make the Minister of Finance accountable for his real intentions relating to the introduction of such rationalities to the management of the railway company and thereby to restrict his action. Integrated and interdependent actors were able to resist the coercive power of the Minister of Finance, whose role was regarded as promoting private interests such as those of the owners of the intercity buses.

On these grounds, the company's financial deficit,¹ was considered as the result of the government's inconsistency concerning its financial obligations towards of the organisation as these were determined in law 1485/84. Only in 1993 the financial obligations of the Greek Government towards the OSE, for the provision of unprofitable services and for maintaining, and managing the railway infrastructure, increased by €88² million (30 billion drachmas). As a result in relation to other European rail companies OSE's long-term liabilities in 1993, reached the 34% of its total assets (see figure 5.1). The lack of the state's financial support led the organisation to borrow long-term funds in order to finance its annual losses.

¹ At the end of 1993 the company's total deficit reached 800 billion drachmas or €2.4 billion.

² Approximately.

Figure 5.1: Non-Current liabilities as a % of Total Assets in European Rail Companies (Source OSE, 1994)



The lack of investments on the Greek rail industry resulted in order for a period of ten years (1983-1993) the company's operating revenue from its commercial activities to remain stagnated, with the company accumulating year-by-year financial and operating deficits. However, as was seen in Chapter 4¹, the poor financial performance of the Hellenic Railway Organisation is not an extraordinary situation, but rather a general trend characterising many railway companies, especially in Europe. What makes OSE a unique and extraordinary situation is its very low productivity. A situation which is the immediate result of the inefficient and problematic management exercised plus the outcome of the small size of the rail network and rail infrastructure that makes it difficult for the company to increase its market share. Productivity as an indicator in the railway industry is the quotient of the total passengers-kilometres plus freight in tones-kilometres divided by the number of the employees. This indicator varies within the EU according to geographical segments with Balkan countries been those with the lowest productivity rate (310,000 kilometres per employee) at almost half from the European average (660,000 kilometres per employee). OSE had a productivity rate at that time (1991-1993) equal to 209,000 of kilometres-units per employee, only 30% of the European average, below the average of the Balkan countries (source OSE, 1994).

¹ Section 4.2.

However, the resulting integration of the different institutional elements did not manage to form common policies and objectives that would modernise the company's organisation. As was demonstrated, the main reason for that is that the necessary discourses over the modernisation of organisational structures had been charged with negative and predefined meanings. More important, however, was the fact that they did not give reference to any of the organisational structural relationships (they ignored ASKE, the industrial union, the Director General and, consequently, the board of directors, as well as the social groups and local communities). The force exercised by the Ministry of Finance for the institutionalisation of certain practices ignored the true needs of the organisation at all hierarchical levels. Governmental interference caused a series of problems that did not allow the organisation collectively to evaluate the ongoing action and to introduce the necessary changes where inefficiencies occur. As a result, structural changes that might have had positive effects, such as the accounting separation between the infrastructure and commercial service units, promoted by European directive 91/440¹ are treated with suspicion and cause reaction and conflict.

“A characteristic example is the much discussed distinction between network exploitation and operation. In other countries, this distinction may constitute a tool for better economic relations with the state, but in Greece it may constitute a way of handing over the profitable parts of the network to private initiative...” (Interview EG, 29 June 2006).

The Ministry's perception that privatisation had the necessary social acceptance and was regarded as essential for the structural modernisation of the railway company, led to the formation of social coalitions that based their cohesiveness upon an established organisational rationality that was fundamentally opposed to privatisation. At that level, social and political conflicts concern ideals and not structures, roles or control mechanisms; while roles and practices gained their substantial meaning (according to the objectives they pursued), at the social level, any inefficiency derived from the way they had been operated, managed or controlled remained unquestioned². It was a conflict that had at the centre of its

¹ See Chapter 4, section 4.3.

² As a result of that dispute and the lack of a coherent plan with formulated strategies and objectives concerning the company's modernisation targeting to improve operational efficiency and to advance

dispute, not the modernisation of the existing normative environment, but rather the nature of the Hellenic railway industry itself. More particularly, the dispute concerned the use of the allocated European funds. The employees and the social groups were afraid that the main governmental strategy was to allocate European resources to the road-network¹. For this reason, managers and employees perceived that the proposed strategy aimed to create a small and privatised railway network. In contrast to governmental intention and to the suggestions made by TR, organisational proposals concerning its investment plan were based upon the objectives included in the 1983-1997 strategic plan.

The social reaction to the objectives of the Ministry of Finance was such that the newly re-elected government of PASOK (1994-2004) based its efforts for the modernisation of the railway industry not on privatisation, but on managerial accountability reforms.

5.5. Conclusion

The objective of this chapter was to depict the elaboration of the formal managerial and financial accounting structures of interaction in the ongoing organisational action. For this reason, the above section divided OSE's structuration process into three chronological periods. The first period was SEK's transformation from an operating department of the Ministry of Transport becoming OSE, an independent state owned enterprise. The second period is that of the socialisation era and the introduction of social control. The last period was the one characterised by the first efforts for the establishment of managerial and business objectives.

The structuration process and the role of the agency in that process show that the efforts for the structural modernisation failed to alter the way that organisational action was taking place. Imposed changes failed to alter the way that senior, higher and lower managers,

the company's business capabilities, the company's accrued deficits by the end of 1994 that reached 9,371 ECU or 1.1% of the total GDP. At the same time its share in the transportation market for freight and passengers customers further declined reaching 0.64% for freight customers and 2.49% for passengers.

¹ It has to be emphasised that an additional effort to decrease public spending was to reduce public investment. In the 1991 National Investment budget the public spending concerning OSE was reduced by 40%. As a result, the company did not have adequate funding to implement the co-funding investment projects by the EU and the Greek State.

employees and social groups and the government were interrelating. The introduced modalities failed to regulate the new organisational roles and to become part of the ongoing accountability mechanism. Seniors management's role has traditionally been linked to that of the governmental representative, drawing its power and legitimation from an ability to impose its will either through a military type of discipline (in the first period), or through a political type of discipline (in the second period). While formal structures were adapting to the institutionalisation pressures in order to gain the necessary legitimacy, organisational roles remained part of a wider political game that allowed governments to use the organisation to pursue their objectives. For that reason, the neo-introduced modalities failed to regulate organisational roles. Consequently, they failed to enforce the necessary trust and interdependence and, as a result, the formation of responsibility.

Accountability as an ongoing action has a practical meaning when it allows mutual control between super-ordinates and sub-ordinates. Modalities gain a substantial significance when their use makes that process meaningful. In any other case, actors will attempt to restrict the super-ordinates' power by using other forms of interaction and interdependence. In the case of OSE, it was clear that the formation of strategic objectives did not manage to regulate day-to-day action. The latter was formulated on another level between senior management and governmental officials without the involvement of other institutional groups. This is why, as the third period indicated, organisational agents attempted to control governmental decision-making through their industrial action by exercising political influence. That as will be shown in the next chapter, had major effects upon the evolution of organisational systems and structures of interactions, since pre-existing configurations of powers and patterns of integration remained unchallenged. As a result, organisational objectives failed to elaborate the operational requirements of ED 91/440.

Under these conditions, the Greek government introduced a second critical change in 1996, concerning the modernisation of OSE's structural elements according to the NPM model. The way accountability relationships were influenced is discussed in the following chapter.

6. Chapter - Initiation of managerial accountability reforms in the context of OSE: effects upon patterns of interaction and interrelation

6.1. Introduction

The coercive influence of the Minister of Finance, which was discussed in the previous chapter, resulted in TR's strategic and operational plan¹, being seen by OSE's employees² and managers as a 'scientific-style death warrant' for the company's public and social character. Employees, managers and other social groups perceived that the company's disaggregation was founded in the conservative government's³ ideological objectives. As a result awareness of any potential financial and operational benefits that might emerge from the accounting separation of the company into infrastructure management and service operator was lost in an ideological conflict. On the one hand there was the neo-liberal desire for less state participation in the country's economic activity supported by the Government of the day. On the other hand there was an established organisational and social culture that demanded more active financial support from the Government for the development and modernisation of the OSE's capital assets such as rail infrastructure, rolling-stock material, etc. This conflict resulted in a failure of employees and managers to apply those strategies that were intended to reorganise the company according to the requirements of the European Directive 91/440.

However, the demand of the European Committee for transparent and efficient use of the available European funds for the company's managerial and operational modernisation, in addition to the need of the Greek Government to control and restrict the company's accumulated financial deficit and annual operating losses, made imperative the need for changes in the company's business administration and operating strategies. The application of managerial accountability reform (which in the Greek social context gained a more holistic character after 1996, with law 2414), and the incorporation of business plans as accountability frameworks in the organisational context of the OSE, are examined in relation

¹ Aimed at the OSE's reorganisation, according to the European Directive 91/440, and the segregation between railway infrastructure manager and service operators - freight and passengers

² See section 5.4.1.

³ Period 1990-1993.

to the general changes taking place in the European context,¹ and the efforts made by the European Community to introduce rationalities that will have direct social and economic effects on the public policy of the member states. More particularly, reforms in the Greek railway industry are associated with the momentum of the single European rail market imposing deregulation, corporatisation and managerialism in an effort to promote ‘pragmatic’, technocratic leadership according to the spirit introduced by the European Directive 91/440 (see Chapter 4). In addition, reforms are associated with the country’s effort to join the Economic Monetary Union (EMU) and the following demand to meet the fiscal restrictions of the Maastricht Treaty².

The following analysis concerns the period 1998-2002. It focuses upon the efforts of organisational actors and collectives in the context of the OSE to formulate common business objectives, and to establish mutual responsibility and trust within structures of organisational action mainly defined by the Greek government and the EU by two different, but at the same time interrelated, social contexts. The analysis examines the use of the formulated strategic and operational plans in that period as modalities introduced in order to establish managerial authority, and to formulate the relationship between the company’s administrative manager, who had been assigned the key role in the process of the company’s financial and operational modernisation with his inner and outer organisational contexts.

Specifically, the following chapter splits the analysis into three sections. The first section aims to depict the objectives and intentions of the European Committee’s strategies and how these affect the organisational context and influence the role of the administrative manager. The second section aims to depict the materialistic conditions that characterise the organisational context of the OSE and restrict the role of the CEO in applying pragmatic technocratic leadership according to the characteristics of the dominant rationality of managerialism. The third section of the present chapter aims to depict the way in which the

¹ It is not the purpose of this thesis to devalue the impact of other international organisations such as the IMF on the Greek governments’ policy. The impact of the EU is more direct; through, the economic agreements and objectives and the imposition of directives and regulations, the European Community defines the strategies of its member states.

² The Maastricht Treaty was signed in 1992 and it constitutes an agreement among the participating states of the European Union to adopt a single currency and monetary system.

operational plan of 1998-2002 was used by the first CEO, appointed in 1997, in order to accommodate the expectations of the institutional environment, to influence the patterns of organisational interaction and to manage and control managerial and operational action.

6.2. Managerial accountability reforms in the Greek railway industry and the role of the European strategies

As the introduction emphasises, it is important to understand managerial accountability reform in the OSE in relation to two interrelated social contexts: first in relation to the context of the European rail industry and the changes introduced to it (see Chapter 4); and second, in relation to the Greek context and the strategic choices of the Greek Government, the economy to meet the fiscal restrictions defined in the Maastricht agreement, and Greece to join the EMU. Without the increased influence of the European Union, in these two different but at the same time interrelated and mutually influenced social contexts characterised by the present analysis as the “micro” one, identified with the reform in the European rail industry, and the “macro” one, identified with the country’s participation in the common European market, and the adoption of Euro as a single hard currency, such structural changes, in the Greek social context, probably would have been difficult to initiate¹. The next section discusses the influence of the changes European Union at micro level.

6.2.1. The effects of European strategies on the context of the OSE

European Directive 91/440, which constitutes the first step towards the direction of market deregulation and corporatisation of the European rail industry, initiates major changes that target the reform of the European rail industry according to the organisational characteristics of other sectors in the Transport Industry, like the aviation sector². The aim of European Directives³ is to integrate the European rail market by lifting any technical and regulatory barriers that restrict competitiveness between rail companies. For that reason the European Union finances investment in rail infrastructure in member countries.

¹ See the analysis made in Chapter 2, section 2.4.

² See Chapter 4, section 4.2.

³ See Chapter 4, figure 4.1

Aiming to secure transparency in the use and management of the funds made available with the Community Support Frameworks (CSF)¹, the European Committee imposed changes on the OSE that had a dual dimension: to initiate the modernisation of managerial and operational control systems, and to enhance managerial and financial independence from the Greek State. The European Commission believed that the OSE had not ensured even the minimal requirements of efficient and transparent use of the available funds with the CSFs (Chaicalis, 1997). It is significant that the lack of adequate financing from the Greek Government led the company to intentionally underestimate the cost of the investment projects in order to increase the number of investments that would secure financing from the 2nd and 3rd CSF² and to complete its investment plan (ΔΟΜΠ³, September 1998).

Thus in 1996, the European Commission imposed the establishment of the first subsidiary company, ERGOSE S.A. The European Commission insisted on establishing “ERGOSE”, so that the responsibility of tendering for projects would be lifted from OSE. It was thought that separating ERGOSE from OSE would successfully address inefficiencies, like the determined under-costing, and the fragmentary planning⁴ of the investment projects that were

¹ The European Union together with the Greek Government are the main sources of funding for the development and modernisation of the Greek rail industry. The necessary financial resources for the modernisation of the Greek railway infrastructure and superstructure were first directed to OSE in 1989, the outcome of the First (1st) “Community Support Framework”, and the “Cohesion Fund”. Since 1989, three CSFs have been introduced aiming to support Greece in the development of the country’s infrastructure: 1st (1989-1993), 2nd (1994-1999) and 3rd (2000-2006).

² During the 1st CSF, 70% of the necessary funds were provided by the Greek Government and 30% by the EU; later, that became 50%-50%.

³ In Greek: Διεύθυνση Οργάνωσης, Μελετών και Προγραμματισμού; In English: Directorate for the Organisation of Projects and Planning.

⁴ Believing that a single contractor would result in greater benefit and efficiency for the organisation, and taking advantage of the initiatives provided for the cooperation between private and public companies, in 1989 (it was a decision concerned the projects financed by the A’ CSF) the management made the strategic choice to develop the railway infrastructure from Athens to Thessaloniki by contracting a single international consortium of constructors. The purpose was for the project to be financed by private and public funds and for the consortium to provide the know-how that the small Greek construction companies lacked for such big projects. However, the Greek Government’s aims and those of the Technical Chamber of Greece, as well as those of the unions of the Greek construction companies, imposed the sectional implementation of the investment. Their argument was that by splitting the project into small contracts, the time needed for the investment’s implementation would be narrowed. The result, however, was that while in 1989 OSE’s managers estimated that they would be able to finish the rail track’s modernisation (given that the funds were available) six years later, the work for its development is still taking place – and will continue for at

perceived as the main causes of the inefficiencies in the completion of the company's investments plans (OSE, September 1998). The aim of the European Commission was to increase transparency and control in managerial action via the separation of the financial accounts and management responsibilities between OSE and ERGOSE.

“The EU provides some money and it wants this money to be secured in a certain way... In particular, when public companies such as OSE have economic problems they may, instead of using EU funds to carry out projects, cover various expenses outside these projects, thus spending EU money without any result. I believe that, since the EU provides funding in order for it to be used on projects, they would encourage us to establish an independent body to ensure transparency of transactions with OSE. The main reason... is the general principle of transparency of transactions” (PX¹, 18 March 1996).

ERGOSE was an attempt by the European Commission to change OSE's managerial and operational context, which was seen as inefficient and dysfunctional. ERGOSE was the first “praxis” towards the application of NPM principles in OSE's organisation. It was the first implicit attempt (since ownership and management of rail infrastructure remained an OSE responsibility) to disaggregate the rail infrastructure from service provision departments, an operational strategy required by the ED 91/440. The foundation of ERGOSE meant that the company's management and the Greek Government accepted the European Committee's

least two more years (the Ministry of Transport and the company argue that the work in the infrastructure will be ready by 2010, even though many managers disagree with that forecast). The fragmented investment project in the rail infrastructure is regarded as a major obstacle and cause of delays and inefficiencies in the railway investment projects, as well as the main obstacle in management's effort to develop an efficient operational strategy. The above mentioned becomes clear in the press conference (03 February 1989) that the General Manager of OSE gave about the company's investment proposal/ The General Manager of OSE gave a clear account of this in the press conference (03 February 1989) concerning the trans-European high-speed rail network and the modernisation of the Greek railways (trans.):

When asked by a journalist: “you mentioned self-funding. You are aware that the government more or less seems to have rejected that. You also mention that there must be one contractor and that funding should not be done sectionally. But this contradicts Greek interests. The Technical Chamber, as well as contractors, talk about sectional contracting and construction, because this would minimize construction time and financial return. ”

The General Administrator answered: “...we are aware of the small size of Greek contractors [in terms of business size and technical capabilities]. They have a problem with completing big projects... experience tells that in small projects, competitions [in investment projects] are frequently repeated and there are many delays [because of objections to competition results filed by participants]...”

¹ Chairman of the Board 1996-1998

rationale which, argued that giving OSE the responsibility for the modernisation of the railway infrastructure had deflected its management from their main objective, which was the provision of efficient and commercial orientated rail services for passengers and freight customers.

“One of the structural problems of the organisation is the existence of construction works, which is an activity different from transport services and therefore results in undermining its railway activities... (Interview KS¹, November 2008)”

It was believed that, by allocating the responsibility of supervising the construction of works concerning railway infrastructure to ERGOSE (the formulation of plans, the setting of objectives, as well as the definition of technical and operational characteristics of investments remained OSE’s obligations), the ability of OSE to formulate the necessary strategies for the provision of competitive (in relation to the other modes of transport) services to customers would be reinforced. Thus, the objective of financial transparency gained increased importance in the managerial modernisation of the Hellenic Railway Organisation. Through financial transparency, in addition to the securing of the efficient and effective use of the financial resources made available for the modernisation of the rail infrastructure (e.g. the rail network) and superstructure (e.g. the signalling system), the European Community aimed to sift rail culture from its technical orientation towards a business culture².

“...it must be noted that the organisation did not have a complete plan on how these investments would increase its efficiency and profits. In other words, no plans existed for the economic efficiency of projects [investment projects on rail infrastructure] and, what is outrageous is that no plans existed for the commercial development of the railways. This means that we are constructing the rail route between Athens and Thessaloniki and there are no plans or studies concerning rail track’s capacity... or train specifications...” (Interview PI³, 30 June 2006; trans.)

For that reason, the European Committee imposed upon the organisation the formulation of business plans that would define the company’s financing, operating and investing activities.

¹ Ex-member of the BoD

² This is a conclusion also reached in Chapter 4 (see section 4.3)

³ Former General Manager responsible for the company’s business planning

“...the implementation of a business plan for OSE was required by the European Regional Development Fund as a prerequisite for funding railway works from the 2nd CSF...” (OSE, 1998:20)

The provision of European funds from the 2nd and 3rd CSFs for the implementation of OSE's proposed projects became contingent upon their financial viability and social contribution, and - moreover - contingent upon their alignment with the wider strategies developed and enforced by the EU in relation to the development of Trans-European rail networks (COM, 1991; 1996 and COM, 2001). In practice, the purpose of the European Commission has been to control whether the funds provided by the Committee are directed to the commonly agreed strategies with the Greek Government and the organisation with the aim of turning OSE into a financially independent, competitive and customer-orientated Rail Company.

“The operational plan aimed to implement in the commercial (operational) technical, social and financial management goals of OSE and is harmoniously connected to the medium and long-term strategies of OSE, i.e. higher share than today – in passenger and freight transportation, more active development in the National Development policy... higher servicing of imports and exports, improvement in the quality of services offered, increase of revenues, reduction of operating expenses, marketing and social dimension of railways, implementation of technical and operational modernisation, development and expansion of the network and broadening the cooperation with other national and foreign enterprises” (Operational Plan Railway 1994-1999: 5).

The application of new control procedures was based upon the formulation of strict rules that defined: a) the necessary conditions for an investment (concerning railway infrastructure and the company's managerial and operational reorganisation) to become selectable and to gain financing from European funds, b) the control process and c) the transparency mechanisms and information to the public. These conditions were not satisfied by the previous control relationship, restricted between the government and OSE.

“...prior to the regulations imposed by the European Committee, tenders were announced together with preliminary project plans, and planning was finalised during the construction. The contractor completed the plans; however this ended up increasing costs because it included costs that were not calculated before and this led to excess in the total cost... Nowadays there is no chance of getting permission to tender for a

project [she means from the EC] if you have not completed the plans...” (Interview, HL¹ 4 September 2006; trans.).

Through the establishment of ex-ante, mid-term, and ex-post controls, the European Commission aimed at keeping OSE and its subsidiary ERGOSE directly accountable for the efficient implementation of project funding. For that purpose performance indicators² relating to the effectiveness, management and financial implementation of the investments co-funded by the European Union and the Greek Government, (included in the company’s investment plan, approved by the Greek Government and the European Committee) were incorporated. The control process concerns both the time and cost efficiency of the investment plan, implemented by OSE and ERGOSE. OSE as the final beneficiary is accountable for the efficient implementation of this, to the EU and the Greek Government. Both companies prepare monthly bulletins with all the necessary information concerning the performance indicators that are directed to the Managing Authority³, which is responsible for monitoring the efficient implementation of the OSE’s investment project and making the necessary ground inspections. Using this information, the European Committee can assess the efficiency, in terms of cost and actual implementation, of the funded projects and it can make suggestions, to the Greek Government relating to the improvement of the implementation process.

The European strategies reveal the lack of trust in the patterns of integration and interrelationship between the company’s management and the Ministries of Finance and Transportation (the ministries responsible). European strategies have been established upon the deeply held belief dominant in the European Commission that the historically developed

¹ ERGOSE manager who has been transferred there from OSE.

² ABSORPTION PROGRESS INDICATOR (API): defined as the quotient (disbursements / approved budget). REALISATION PROGRESS INDICATOR or PHYSICAL COMPLETION INDICATOR (PCI): defined as the quotient (payments for works performed) / (total projected cost). EFFECTIVENESS INDICATOR: defined as the quotient (disbursements) / (total programmed commitments for the period 2000-2002). PERFORMANCE INDICATOR: defined as the ratio of the physical completion indicator (PCI) to the absorption progress indicator (API).

³ Managing Authority (MA) of the Ministry of Transportation’s Operational Plan: “Railway-Airports-Urban Transport” financed by the C’ CSF; In Greek: Διαχειριστική Αρχή Επιχειρησιακού Προγράμματος Υπουργείου Μεταφορών και Επικοινωνιών: “Σιδηρόδρομοι- Αεροδρόμια- Αστικές Συγκοινωνίες”. The MA was established in accordance with article 37 of EC Council Regulation 1260/1999.

patterns of accountability between the railway organisations and the Greek government disorientate the former from the provision of financial efficient and commercially orientated railway services; a perception also shared by both employees and managers in the organisation. The majority of the interviewees believe that inefficiencies¹ and bad management in the process of drawing and implementing the company's investment plan were the result of the explicit intervention in the company's ongoing managerial activity of "local" institutional and non-institutional interests (private companies implicated in the company's investment plan), and mainly the result of the increased political influence exercised by the political parties and the industrial union upon the organisation's day-to-day management.

The aim of the European strategies has been to alter the established patterns of relationship between the management of the railway company and the Greek Government, and the control mechanisms that have formulated that relationship. The reforms introduced were an attempt to modify the company's management and operational control systems by initiating radical amendments to the way that decisions were made, justified, reported and controlled. More important, however, is the fact that the European Committee has developed policies and set strategic objectives² that aim to support the European rail industry, and to increase its share in the transport market. For that purpose, it finances the modernisation of the rail infrastructure in the member countries of the European Union. Thus, the influence exercised by the European committee is seen by organisational actors and collectives as positive. Thus, while many managers and unionists disagreed with the establishment of ERGOSE, and raised their concerns and fears that the subsidiary's establishment would cause increased inefficiencies and delays in implementing and completing the investments on the rail infrastructure (BoD articles, 18 March 1996), the need for the organisation to secure the

¹ The lack of financing from the Greek state, which, as mentioned earlier, led to the intentional underestimation of the cost of the formulated investment plans, the fragmented character of the implemented investment projects, the deficient legal framework of the tendering process concerning public investments and the aging personnel are perceived as the primary causes of the company's planning and control inefficiencies, as well for the many time delays, in the implementation of the company's modernisation process.

² See section 4.3.

European financing and to fulfil its investment objectives resulted in an inner-organisational truce.

The demand of the European Committee for managerial independence of the OSE from the Greek Government, and the faith that instrumental forms of control would enhance transparency and trust in the use of the allocated European and National funds, gained a more holistic character, with managerial accountability reform introduced by Law 2414/1996¹. The next section discusses the effect of the strategies pursued by the Greek Government on the context of the OSE.

6.2.2. Effects on the OSE from the objectives pursued by the Greek Government at macro level

Using as its main political slogan the word ‘modernisation’, the re-elected, ‘Socialist’ party in government in 1996 attempted to institutionalise structures of social and economic organisation, based upon the predominant neo-liberal idea, as that is promoted by the European Committee, of the ‘less’ and more economic effective state. According to governmental intentions, as underlined by the expectations of the European Committee, the managerial accountability reforms applied aimed to reverse the problems of centralism, bureaucracy and favouritism which dominated and bedevilled the Greek public sector, and were responsible for the increased operational inefficiencies and corruption in public administration². It became a central strategic choice of the then Greek Government to restrict its role in the country’s economic activity, aiming to control public deficit, and to join the Economic Monetary Union (EMU), a decision which led to the adoption of the NPM model in public administration. As the first CEO, appointed in June 1997, said (trans.):

“My involvement with the railway company came in the period of the country’s efforts to join the EMU. During that period, and upon demand by the European Community, considerable efforts were made by the government in order to limit DEKO’s fiscal deficits, which was the main reason urging me to get involved with OSE. In this attempt to limit deficits in DEKO, Law 2414 was passed, which stipulated what was self-evident, that is, the creation of strategic goals and business plans which determine the necessary actions for meeting strategic goals and employing those capable of

¹ And after 2005 by Law 3429, which amended law 2414/1996

² See Chapter 2. sections 2.4

implementing such plans. In my view, the law was so simplistic that I called it a prayer book in one of my articles at the time. The new law voted by parliament, Law 3429 of 2005 [the one amended 2414/1996] also resembles a prayer book. Both laws constitute a cry of desperation by Ministers, first for the EMU, and now for the country's fiscal supervision by the European Community" (Interview MI¹, 06 July 2006).

Through the reform, the Greek Government sought to distinguish between the strategic role of the government in the formulation of a framework within which OSE will operate, and the company's operational management. Thus, central to the reform was the concept of managerialism, and the faith that technocratic, profit-orientated managers would do the 'right thing,' and they would manage to modernise the managerial and operational control procedures in the OSE according to the demands of the European regulations, and, moreover, to restrict the company's financial deficits. In order to secure administrative management's authority and CEO's status as a competent agent, it became critical for the Greek Government to alter the formulated perception of administrator managers as individuals that hold their positions as a result of personal and political friendships with the ministers in power. Thus, with law 2414/1996, criteria aiming for the meritocratic selection of business managers were institutionalised.

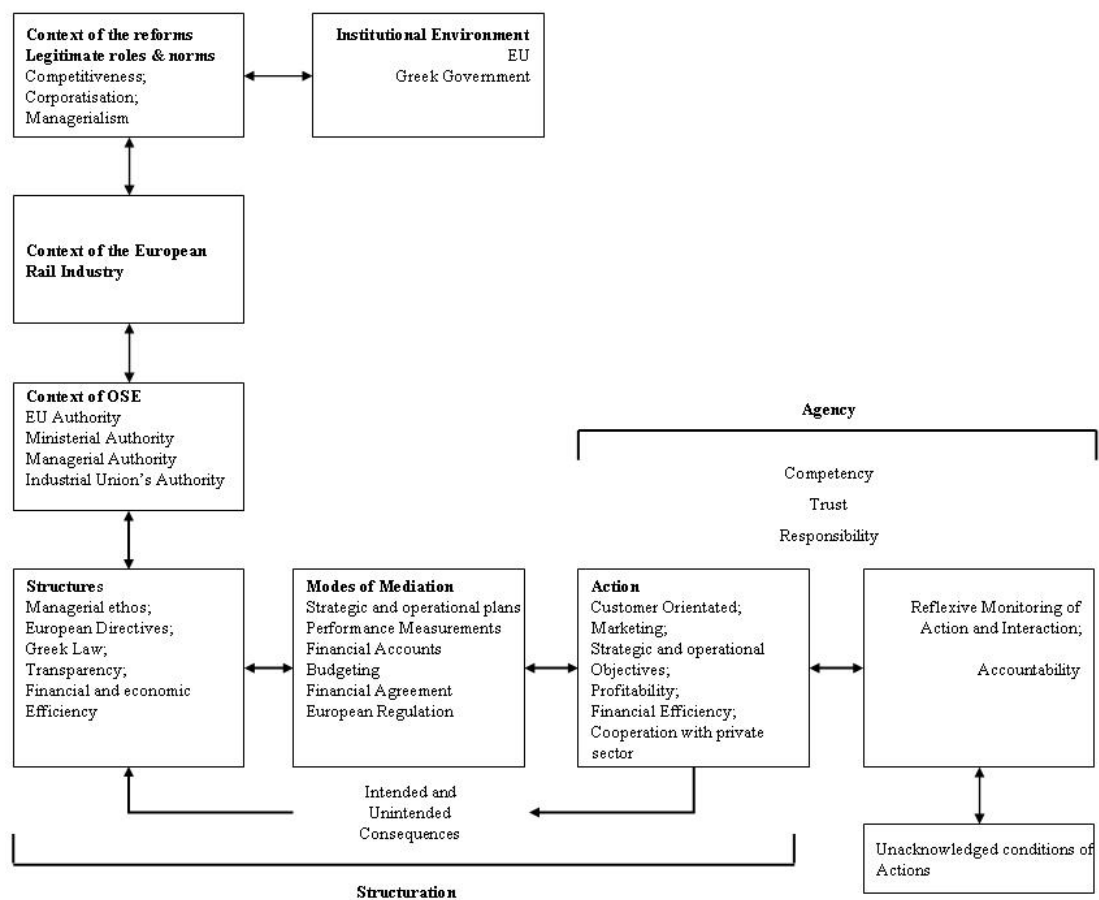
"Procedures of meritocratic selection of managerial administration bodies are established. In order for the modernization of DEKO to have positive results, the management methods have to change. What is required from management is strategic thinking, contemporary business knowledge, imagination, sensitivity to social developments, flexibility, ability to mobilize the human factor and strong will in decision-making. Management should enjoy wide acceptance and increased status..." (Greek Government, 1996).

As can be seen from figure 6.1 which follows (and which constitutes the guide to the subsequent analysis), managerial accountability reform in the Greek social context has adopted all the norms and rules which, according to NPM's legitimate structure, would efficiently formulate the accountability relationship between the CEO, the Government, the EU, and the company. The incorporation of a managerial contract that would regulate the relationship between the government and the company's CEO, as well as the

¹ First appointed CEO. Even though, he was appointed for a five year period, as it will be explained later in that chapter, he only remained at his position for a period of almost three years (June 1997 – June 2000)

institutionalisation of performance objectives, for both the CEO, and the company, the use of which aims to control and evaluate managerial and business performance, represent all the established perceptions over the ability of mechanistic forms of control to impose the necessary transparency on agents' actions and intentions, and to establish the crucial trust between the CEO, the inner (organisational) and the outer (the Greek Government and the European Committee) contexts.

Figure 6.1: Conceptualisation of the structuration process as this is governed by the principles of managerial accountability reform



However, because of the existing relations of power and the contradictions characterising the Greek social context and the organisation in particular, the executive's authority to reorganise, control and coordinate organisational action was explicitly defined (by law 2414) to be contingent on the executive's ability to motivate, mobilise and cooperate with his subordinate managers and employees towards common organisational objectives, and to gain

their trust over his competence to modernise the company, which remained under social control¹. The participation of employees' representatives in the BoD indicate the increase in power and ability that the subordinates have in influencing the company's operational strategies and restricting CEO's ability to dominate the organisational context, and to enforce operational strategies unilaterally, like those related to the company's disaggregation between rail infrastructure and service operating business units. This is an argument that the case of the first nominated CEO provides.

The candidate who had been proposed by the Ministry of Transport² attempted to position himself in opposition to the inner organisational environment, and more particularly, in opposition to employees' industrial union, which was opposed to the suggestions and strategies made with the previous business plan (period 1990-1993) aimed at the financial rationalisation of the company's operating activities through the abolishment of unprofitable services and parts of the rail network (see chapter 5). The nominated CEO attempted to emphasise his ability and commitment to alter the organisational context and the already established patterns of action and power relations, justifying in this way the legitimacy of his role as a powerful and rational-market orientated agent - characteristics that he was supposed to represent. This was made evident in the answer he gave to one of the questions posed by members of the responsible parliamentary committee³ about the way he perceived his role: when he was asked about how he would deal with interests in the organisation, he said that he would put his foot down, and added: (trans.):

“...Of course, I am only 5’6”, but when you hit the leader of the ants on the head, they disperse” [he means the employees]. Furthermore... he said that he would decrease the huge financing deficit of the organisation with organisational changes, firing the ravens [the employees] which contaminate the organisation, and punish misconduct...” (Zagorianitis, 1997)

¹ Social control was exercised by the BoD which was consisted of nine members: eight non-executive members and one executive - the CEO. Apart from three members of the board that represent employees and social groups, the remaining members are appointed by the government.

² In 1997.

³ In an effort to secure meritocracy, the law (2414/1996) foresaw the nomination to be made by independent consultants, and the candidates to be examined by the responsible parliamentary committee before their appointment as CEO in a public utility organisation.

However, his effort to launch himself as an agent capable of exercising “pragmatic” leadership raised the concern of the members of the Greek parliament and the employees’ union, who demanded that the Ministry of Transport reject this candidate, a demand that was fulfilled in the end. While the Greek Government’s aim was to enforce managerial independence, stability and motivation through the provision of financial incentives to management (the Chairman of the BoD and the CEO), the image of the powerful and dominant agent whom the nominated CEO had tried to launch, was beyond the Greek Government’s explicit expectations; or it was beyond its power to impose such a status on the Greek Society.

It has become apparent that the expectations of the inner and outer contexts influence the norms and rules that give meaning to organisational roles and intra-organisational relationships. This is why they also shape the substance of the strategic and operational plans as modalities of organisational interaction and interrelationship, influencing the rationale of the ongoing operational and managerial action, and consequently, the tensions that generate accountability. The way in which the strategic and operational plans for the period 1996-2002 were incorporated as interpretive schemes, norms or facilities (see Chapter 3), in order to regulate the relationship between the CEO, his subordinates, the Greek Government, and the European Union, is discussed in the subsequent section. The central theme in the following discussion is the elaboration of the requirements of the European Directive 91/440, imposing the OSE’s disaggregation between rail infrastructure manager and service operators.

6.3. The incorporation of business plans in the period 1996-2002: patterns of continuity and change in organisational interaction

6.3.1. Factors restricting the ability of the CEO to control and coordinate organisational action

Locating actors within organisational contexts means that their actions, intentions and objectives are bounded by pre-existing beliefs and configurations of power that was one of the arguments made in Chapter 3. In the preceding section, the analysis argues that the ability of the CEO to exercise his authority to control and to rationalise organisational action financially is not based upon projecting an image of a powerful, rational self-interest,

motivated agent, dominant in the private sector; rather, it is based upon the formulation of mutual understandings and trustful relationships with subordinates. Yet the existing planning and control organisational systems were totally inappropriate for the formulation of operational and business objectives that would be based upon common organisational perceptions and practices. In addition, they were totally ineffectual in their use as performance evaluation and coordinating mechanisms. As a manager forcefully argues (trans.):

“...there are no serious mechanisms in our company for controlling the purpose of expenses... There is no monitoring mechanism which makes you accountable every day for the actions or omissions of every department. Nobody bothers to check what you did and how you did it. The French economic principle “laissez-faire” is the applied rule here [he is sarcastic]. I will give you an example. When I worked [during the period under discussion] in the supply department, there were two employees who were not doing their job properly. Lack of a monitoring mechanism meant that the organisation had signed contracts for the supply of materials, had paid for them but had not received them for a year... there were contracts that had expired many years ago, maybe as many as ten, and we had never received the materials. For, if you don't press charges against your supplier within 6 months, enforcing the contract, you lose your claim. We have suffered many losses because of that. Each department places orders without knowing its precise needs. OSE has many similar inherent weaknesses... expenses are neither assessed nor justified at any stage. The organisation is supplied with materials worth millions, which are useless. It is a perpetual waste of public money” (Interview TG¹, 23 August 2006).

A very interesting contradiction that characterised the organisational context of the OSE, was that while most contemporary management control functions (financial and cost accounting; budgeting; internal control; operational and strategic planning) have been incorporated into the company's formal organisation, and competent departments exist, the importance of management control and accounting information in the day-to-day management, and - more important - in the formulation of business strategies, was not understood. As the following citation the CEO appointed in June 1997 indicates, accounting as an organisational control function, failed to implement its basic role, as a recording system of financial transactions.

“When I signed my management contract [1998] with the organisation, I realised that I was not allowed (due to the conditions existing in the organisation) to submit the annual

¹ A finance department supervisor. During that period he was in the supply department

balance sheet according to law and within the time period required by law. I had to submit the balance sheet of the previous year [1997] which should have already been signed 6 or 8 months, maybe even a year, before. So, I realised that the organisation's accounting system had certain limited potential that was insufficient because the organisation was not monitored in the classic meaning of the term. Accounting information was not exercised for administration purposes and it did not interest anyone to find out whether these elements existed... the accounting information system was insufficient in its way of receiving information. For example, Thessaloniki [the city's train station] sent the receipts [from ticket sales] to us every 6 months, while these receipts had to reach the OSE accounts department daily so that they could be recorded, and the monthly accounts had to be disclosed within the first 15 days of the following month according to law. The second major problem with the accounts department is the absence of computer based system. The organisation has been supplied with a computerized system which carried out general and analytical accounting, salary payments and some other basic applications which were nevertheless not used. They [employees] used an older software application because they were more familiar with its application, which covered only salary payments" (Interview IM, 6 July 2006; trans.).

Significant to that argued, over the absence of an appropriate and effective accounting information system is the fact that the organisation did not have full records its operating and non-operating assets. As a result various public institutions (mainly municipalities) and individuals were taking advantage of the OSE's property (mainly land-fields the organisation owns) and they were exploiting these for personal benefit. At the same time the organisation was not in position to develop the necessary business activities and to efficiently use its assets in order to financially contribute its rail activities. The relevant department (the "Real Estate department") employed four members of staff, a number not appropriate for the efficient control of the company's property (OSE, 1995), while no cooperation and coordination can be assumed between the relevant departments implicated in the process of monitoring the company's operating and non-operating assets; the real estate department, the accounting department, and the legal department. Significant to that mentioned is that the accounting department was notified on changes in the company's assets from the amounts it received or paid from transactions related to purchasing and selling assets. As a result financial accounts did not prudently disclose the company's financial position and the value of its assets (Interview PT, 12 September 2006).

Apart from the accounting department's inability, for a period of ten years, to disclose OSE's financial accounts (discussed at section 5.3.2.), OSE had only limited capabilities in analysing, processing and communicating cost related information. Despite the fact that OSE had a cost accounting department, this has not been functioning properly and it has been understaffed. As the manager of the cost accounting department pointed out, administrative managers have never been interested in realising whether or not the cost accounting department was functioning properly.

“Cost Accounting was introduced experimentally in 1970, but has been systematically applied since 1997... while it is envisaged by law, it is of no concern to anyone if it is applied or not” (Interview SL¹, 28 August 2005).

An additional example constitutes the preparation of the annual cash budget, which was seen rather as an obligation to be fulfilled, and not a substantial control process, restricted, as the following quotation makes apparent, at the level of political negotiation between the administrator manager, and the Ministries of Transport and Finance. The annual budgeted figure usually exceeded the company's actual operational needs because the managers knew that every year they would get less than the amount asked, not according to their true needs, but according to a political decision made by the Ministry of Finance, based on the country's macro-economic objectives.

“Most times, expenses are increased intentionally because when they are approved by the Ministry, they are cut down, which results in the organization not being able to function. It is like a game of cat and mouse. The amount that we declare in our budget is larger so that we can negotiate with the Ministry and ensure the functioning of the organisation. As you see, the budget as a mechanism of monitoring the functioning of the organization and as a means of appointing positions of responsibility is not effective” (Interview SR², 02 August 2006).

The management's dysfunctional characteristics, the lack of management control systems and the absence of cooperation and coordination between the vertically organised directorates and departments, were the outcome and reflected the nexus of organisational relationships as these were influenced by the institutional environment. The allocation of

¹ Supervisor of the cost accounting department.

² Finance Manager.

responsibility to agents was not based upon merit, subject to their competence to perform the tasks and obligations emanating from a particular role acting within the organisational system, but rather upon political criteria, through a bargaining process between the administrator, who was an individual appointed according to political criteria, and the industrial union, and anyone else, mainly ministers and members of the Greek parliament, who could access and influence decision making.

“...the organisation needs loans to fulfil its current needs... when I asked the economic directorate to calculate the amount we will need to borrow to cover the organisation’s funding need, the person in charge suggested 35 billion drachmas [almost €103 million]. During the process of control I realised that there is a false perception of how the organisation’s current obligations and its funding needs were determined. This amount included the management’s estimates of what we would need in order to fulfil our obligations. At that point I had to explain that what we need is to determine the organisation’s short-term liabilities... the amount in question went from 35 billion down to 14 billion drachmas. At a subsequent stage of control I realised again that the term was not fully understood... the economic director at the time could not fully grasp the term. This probably happened because he had neither the knowledge nor the ability to do it; what is most likely is that he did not know because nobody had asked him about it before” (Interview MI¹, 06 July 2006).

The interference of political criteria in the ongoing managerial action was such that each time the government, the company’s administrator, or even the Minister of Transport changed and new persons were appointed in those positions, managerial tasks, at senior, and even more at junior level were taken away from those managers performing these tasks, and they were allocated to others who were perceived to be friendly to the interests of the new government/minister/management.

“When I joined OSE, I found about 20 managers “in the freezer”. This means that they supported a political party different from the one in government and therefore were left without any authority. Such individuals... were placed in such a position so that they would not be able to intervene anywhere and they were simply sitting around. So you establish a directorate/department without any authority and these people are just sitting around. With the succession of parties in power, such a practice is regarded as normal” (Interview MI, 06 June 2006).

¹ provided by company’s first CEO, appointed in July 1997

This situation led to employees and managers being undermined, which resulted in the formulation of methods of individual action that were not conventional to what can commonly be perceived as accepted corporate action, based upon commonly shared business objectives and strategies¹. As a consequence, roles and responsibilities were frequently undertaken by incompetent agents, with negative effect upon the company's modernisation process and its efficient management.

“...state intervention, lack of employee specialisation, lack of utilising competent employees and a large degree of intervention by trade unions do not allow the introduction of private economic criteria. Values are undermined in all levels and there is no meritocracy” (Interview SD², 23 June 2006).

The level of the influence of external factors upon employees and managers, and the increased pressure exercised upon executive management to satisfy their demands, limits a CEO's ability to control and coordinate organisational process, and moreover to influence the behaviour of subordinates. As the following quotation indicates, the existing conditions and factors influencing the action of organisational actors caused the first appointed executive in charge to distrust both his subordinates' competence to perform the responsibilities allocated to them, as well as their intentions and morality in relation to the company's business objectives, and their relationships with their superiors.

“The suitability of personnel, their training, and the provision of incentives, willingness and focus on organisational aims are essential parameters for the successful implementation and materialisation of any business objectives. In this respect, the organisation is highly dysfunctional... and this dysfunction is linked to the great influence of trade unions and political factors in everyday management. Interventions of this kind have given employees a mentality that does not help them fulfil their personal ambitions through business activity, but by seeking political or trade union support in order to influence the source of decision making. This is an unwritten rule... over time, this situation contributed to the eradication of meritocracy and to the erosion of the

¹ It is indicative of the above quotation that a large number of the interviews conducted for the purposes of the present thesis took place outside the company's offices, because the managers either did not have an office or no one was interested in realising if they were in their offices. In other occasions when interviews took place in offices, some of the managers were sitting there without doing anything; they were just reading newspapers, chatting, moreover in an extreme (?) occasion, one manager had a small TV in his office, watching the national basketball team of Greece playing in the 2006 World Cup in Japan.

² Manager at the level of supervisor in the finance department

system... consequently, you find yourself in a working environment where people try to stab you in the back, or they may have good intentions but their actions are wrong...” (Interview MI, 06 July 2006).

Nevertheless, the company was obliged by the European Committee (in order to finance the projects in the rail infrastructure) and the Greek Government (with law 2414) to formulate business plans aiming to specify the company’s corporate mission and values, to analyse the new conditions in the rail industry, as these were influenced by the European Directives 91/440, and the forthcoming directive 2001/12 (with the first rail package¹), and to define its strategic objectives as well as the operating, investing and financing activities necessary to meet the formulated corporate targets (agreed as being very important with the Greek Government and the European Committee).

This is why the modernisation of the company’s management control systems became central to the CEO’s efforts. It was the CEO’s explicit intention to give substantial meaning to intra-organisational relationships and to reinforce the accountability relationships that had been flagged and, furthermore, to overturn the total absence of adequate control and reporting mechanisms from the ongoing action that had resulted in the diffusion of responsibility, with devastating effects on managers’ ability to perform their role².

“...my first concern therefore was to restore relations of trust with the different managers to be able to cooperate with employees with an underlying message of meritocracy concerning our choices...” (Interview MI, 06 July 2006).

The application and efficient employment of control mechanisms aimed to regulate organisational roles and to assign responsibility, in order to designate the attached responsibility to those managers competent to perform organisational roles, and in order to secure the implementation of the objectives laid out in the business plan. That was a critical issue for the CEO since, in contradiction to the company’s previous business plans (those discussed in Chapter five), under Law 2414/1996, the formulation of the new 1998-2002 business plan gained increased importance, since it defined the responsibilities of OSE and

¹ See section 4.3.

² See the analysis made in the section 6.3.1.

the company's CEO towards the Greek Government and the European Commission. The incorporated business objectives would be used by the government in order to assess the company's modernisation process and its ability to increase its productivity and business income, as well as its capacity to use its capital assets effectively. The compensation of the company's CEO and of the Chairman of the BoD, was based upon the satisfactory and efficient implementation of the business objectives incorporated into the managerial contract.

In addition, the business plan and the incorporated business objectives defined the mutual obligations and responsibilities towards the European Committee for all the three parties: the government, the company and the company's CEO. Thus the application of an efficient control system that would monitor the effective implementation of the formulated strategies, and the transparent use of the financial resources made available by the Greek Government, and the European Community Support Frameworks (CSF), was crucial for the CEO and for the company in order to gain the trust of the institutional environment that they are competent to perform efficiently and transparently the company's financial and operational modernisation.

“The state approves the business plan and draws up... the management contract with quantified objectives, which would allow the ex-post and essential corporate control... [Moreover] the business plan does not only constitute a joint Ministerial Decision [between the Ministries of Finance and Transportation] but it is also a document on the basis of which we are assessed [the Greek Government and the OSE] by the EC” (BOD's Article 362, 11 November 1998).

The use of the 1998-2002 business plan in the effort of the CEO to formulate future actions towards the company's financial rationalisation is discussed in the following section.

6.3.2. The 1998-2002 business plan as norm aiming to legitimise CEO's authority

The 1998-2002 business plan initiated changes towards the company's financial and operational rationalisation. The accounting department was reorganised, and the company began to publish annual financial statements again¹. Cash-flow management was introduced,

¹ In Chapter 5 it was mentioned that the company had not published annual financial statements for a period of thirteen years.

while policies that were directed towards improving customer profitability were applied. The profitability in these services was inextricably linked to the reduction of trip duration, and specific journey time-targets were set. This had two main effects: the first was that the necessary works on the rail infrastructure were prioritised and the time horizon for their completion was planned and controlled, whilst the quality standards set in order for the train services to attract more customers managed to improve the quality of the provided services and punctuality. In that sense the company's strategic plan concerning its investment activities, which pre-existed to his appointment, became part of the formulated 1998-2002 business plan. Moreover, the management controlled the costs generated by the rail services provided, and managed to improve the productivity rates¹. Hence, changes in the traffic regulations of the itineraries were implemented, which rationalised the operational cost of train itineraries, whilst the implementation of marketing strategies also began (OSE, 1998). It is significant that in the financial years 1998 and 1999 the employees cost (salaries, fringe benefits etc) as a percentage of the total operating cost declined significantly (Kioulafas, 2000). That was the result not only of the decline in the total number of employees but mainly the outcome of the intention of the CEO to control labour cost. In that direction Law 2671/1998 initiated major changes on the way employees' salaries and fringe benefits were estimated. This is why, in the financial years 2000 and 2001, the company managed to control, and even more, to decrease (inappreciably) the annual operating losses (OSE, 2000; 2001; 2002; 2003).

Aiming to secure the trust of the institutional environment, the CEO's key objective was to rationalise financially the company's operations. The company's financial rationalisation was the objective that gave true substance to his role. In practice, the only unambiguous directions given by the Greek Government to the OSE's administration were those provided by the Ministry of Finance; these concerned the reduction of the organisation's annual

¹ Productivity is a crucial indicator, whose improvement should be a priority in the effort for improved performance in inefficient, high deficit SOEs like OSE. Year 1999 was a turning point for the organisation's productivity rates, which after a period of almost ten years managed inappreciably to reverse the declining productivity rates (Kioulafas, 2000). That was the outcome of the reduction in the number of employees in addition to a small increase of the total passengers and freight in tonnes kilometres.

operating losses in order for the country to fulfil the Maastricht criteria. This is where the business plan gained its substantial meaning involving all the constituent roles (ministers, CEO, managers, employees) in the process of reproducing the organisational system through the formulation of specific actions. Thus, as one senior manager pointed out (trans.):

“...the operational plan [1998-2002] constituted an administrative paradigm towards the right direction... we were all implicated in the effort to rationalise our business operation financially and to contribute to the country’s effort to join the EMU” (Interview EG, 23 June 2006).

The CEO’s business strategy was compatible to the characteristics assigned to his role as these were defined mainly by the expectations of the Greek Government and its target to join the EMU. By analysing the effects of alternative strategies on the company’s efficient operation and the managerial objectives, the business plan was aiming to provide a basis for the formulation of rational strategies, in terms of financial efficiency and economic effectiveness. Thus, the operational strategy selected by the CEO concerning the company’s disaggregation according to the European directive 91/440 for the period 1998-2002 was formulated on the basis of the accounting segregation between the service divisions and the railway infrastructure division as the most financially effective and appropriate for the OSE operational strategy. As the CEO of the period pointed out (trans.):

“The strategic choice of not distinguishing between infrastructure manager and service operators allows the organisation not to focus entirely on a modernising “purifying” procedure, which would lead to further costs, as it has everywhere, and organisational dysfunctions (complexity in company relations, multiple accounting departments, unclear responsibilities) with undetermined aims and consequences. Simple organisational patterns are much more cost-effective and efficient...” (Interview MI, 06 July 2006)

Based upon the experience of other national rail companies in Europe with characteristics similar to the Greek one (see Chapter 4), the plan foresaw the establishment of four business units¹ with separate marketing, commercial, and accounting departments. The demand by the

¹ One business unit responsible for the provision of services to the passengers; one responsible for the provision of freight services; one responsible for managing the rail infrastructure, and finally one

European Directive 91/440 for transparency in the company's financial relationship with the Greek government was perceived to be secured by reporting each business unit's financing activities on separate financial statements (income statement and balance-sheet). The Government's financing liabilities (as these were defined in the economic agreement) emerging from the provision of social services, and the cost of maintaining and operating the rail infrastructure, were recorded and disclosed on the social balance-sheet, whilst they were defined in law 2671/1998.

The 1998-2002 operational plan strategy which was adopted concerning the company's accounting separation between infrastructure manager and service provision business units was intended to have the least¹ operational and financial effects on the patterns of organisational action. The materialistic conditions defining operational action in the OSE, and more particularly the lack of financial resources for the necessary investments for the company's managerial and operational modernisation, has resulted in order organisational knowledge not to be codified, in the sense that no detailed job descriptions existed. Organisational knowledge in the OSE is rather transferred from senior to junior managers through common practices and the day-to-day interaction.

“Detailed regulations and tasks’ descriptions related to the company's operating activities do not exist. In order to create such regulations and job descriptions, a huge amount of human effort and financial resources is required, which the organisation does not have available to dedicate. This is why while in the other European rail networks detailed plans and descriptions exist, for example, for laying the rail track, in the OSE a tradition exists that is transferred from generation to generation. Few of the Chief Engineers have tried to codify operational knowledge but any effort was fragmented...”
(Interview RT, 27 June 2006)

The aim of the CEO was not to cut off organisational managers and employees from the practical knowledge, synergies and coordinative activities that were defining their ongoing action by operationally distinguishing service provision from infrastructure operation

responsible for maintaining the rolling stock material and providing technical support to the rail operators.

¹ According to the ED 91/440, the accounting disaggregation of railway infrastructure from the service provision was compulsory, while the business segregation remained optional.

business units, and to make the operational system¹ expensive to run with increased administrative costs. The decision of the accounting segregation reflected the fear of the organisational actors and collectives that a possible institutional division of these two activities would have negative effects upon the company's operating capacity and its ability to perform efficiently its operating activities. The belief (shared by the CEO and his subordinate managers) that the changes and proposed business segregation of the state-owned rail organisations imposed by the European Directive 91/440, had not been thoroughly planned was dominant in the organisational context, whilst their application could have had devastating effects upon the OSE.

“Organisations such as OSE have very slow decision-making procedures. Such organisations have an advantage; they can draw on the experiences of organisations that have passed to different development stages... OSE was late in acting and therefore it was concluded that accounts separation was better than institutional separation... so I believe that this inactivity is not negative, but rather that the system selects it itself. It does not constitute weakness on the part of the humans in the system, but instead it is normal human behaviour when people realise that such changes may have uncertain results if they are not thoroughly planned. Therefore, inactivity... constitutes a conscious choice made by certain company employees who have both the knowledge and experience to see that the implementation of European Directives would have disastrous effects for the organisation... I do not believe that inactivity constitutes a random state; instead it is an action...” (Interview LM², 4 October 2006).

As the following quotation indicates, the CEO considered that the changes in the patterns of the managerial and operational action required by the European Directive 91/440 should be gradual in order for employees and managers to learn and understand the new conditions of operational action, in order to restrict any unintended consequences upon the competence of business organisation to provide operational efficient railway services. It has to be emphasised that, as a result of the restrictions imposed by the government in the appointment of new personnel, the average age of the company's workforce was reaching 45 years. Aging personnel was a condition that made it difficult to initiate new patterns of operating action. In addition the decision for the company's accounting segregation was reflecting the fear of organisational actors that business segregation might lead to the privatisation of the rail

¹ In Chapter 4, the case of the UK railway system and the effect privatisation had upon the operational functions are described.

² During the period in which the plan was made he was a senior manager.

operator. The provision of railway services and its inextricable link to the public character of the railway company (at least in the European context) is a common perception, a common belief that underlines the behaviour of organisational actors, and their action. Consequently, as the analysis in Chapter 5 also indicates, it defines the boundaries of the accountability relationship¹. The selected operational strategy of the accounting segregation secured the company's institutional rights as administrator of the railway infrastructure, as well as the responsible institutional body for allocating infrastructure capacity, and for granting permission to other railway companies to access the Greek rail network (OSE, 1994).

“The restructuring and rebuilding of railways must take place during times of political calmness and with procedures of communication and consensus. Efficiency is impossible when you initiate major changes in a negative environment. Regardless of organisational structure, responsibilities and competencies must be clear and dependent. Safety [in transportation services] is not only ensured through procedures, technology, systems and standards but mainly through individual competence and responsibility. Complete and immediate change is a source of failure. Employees need time for learning and adjustment. If no organisational, administrative standards and guidance exist, then the system will undoubtedly become unstable and dangerous” (Interview MI², 06 July 2006).

The newly appointed CEO, in June 1997, wanted to avoid any disputes and conflicts with his subordinates over the issue of the public character of the rail company that would limit his ability to control organisational action and the behaviour of his subordinates'. Trying to align his objectives and intentions with those already established, and shared by his subordinates, the CEO attempted to become part of the organisational system, and to keep employees, and managers accountable for their actions and their objectives while formulating the necessary coalitions that would allow him to implement changes.

“The successful implementation of organisational changes... must take into account any negative powers and resistance due to... uncertainty of employees, interest groups, managers, workers... team inactivity... which is why it should ensure the support of centres of authority (trade unions, government)... to envisage the establishment of a team of “agents of change”... the participation and involvement of staff to a

¹ This is an argument clearly stated in Chapter five, where the analysis indicated that in the period 1990-1993, the then administrative manager resigned from his position in an effort to trigger opposition to the plans of the Minister of Finance.

² The company's first appointed CEO

coordinated transformation of systems/structures of organizational culture and abilities
... (OSE, 1998: 17)

The decision for the disaggregation of financial accounts between the infrastructure manager and rail service operating units was seen as a learning process, aiming to distinguish and individualise the responsibility for which one would remain accountable¹. Individualised responsibility and the need for agents to reduce uncontrollable risks and costs, in addition to the sanctions concerning the efficient implementation of the formulated targets, is expected to introduce the need for the business separation between the infrastructure division and rail service divisions. This is why the vertically organised business units and the provided managerial independence to the business units that the operational plan foresaw, were intended to be used as a first step towards the company's business disaggregation. As stated in the suggestions, directions for the efficient implementation of the five year operational plan (1998-2002) were made by the contracted management consultant to the CEO and the BoD, as follows:

“...the organisational structure suggested by the business plan [1998-2002] may be used as a first stage for the possible separation [business] between infrastructure manager and rail service operators [freight and passenger]” (OSE, 1998; trans.).

Hence, the present thesis argues that the business separation between service provision and infrastructure management was, in practice, postponed until after 2002. According to the business plan made and the objectives set, it was expected that the company's modernisation, and more particularly the modernisation of its accounting and administration departments, would have been completed by then. The CEO expected that the new rationality in the company's management would introduce the necessary changes in the patterns of the business action, whilst the application of a modern control system, based upon performance evaluation, would secure the efficient cooperation and coordination of the established business subsidiaries.

¹ As it was discussed in Chapter 4, this constitutes an objective of the European Commission, characterising the reforms in the wider European rail industry.

“...what is imperative for achieving management through performance objectives is an accounting and cost accounting system which would produce reliable results, and it will make available the necessary information for income, costs and profitability generating activities... the effort of [business] restructuring could lead to a future [business] separation of activities of infrastructure manager and service operators... the results, conclusions and suggestions for implementing a business plan are governed by the philosophy of such a separation [business]” (OSE, 1998).

It has become apparent that the five-year (1998-2002) operational plan aimed to legitimate CEO's position within the organisational system, and to enhance his capacity to control organisational activities and implement the objectives, and targets in the managerial contract. Nevertheless, the lack of trust in the competence of his subordinate managers and over their intentions (see the analysis in section 6.3) was used as an argument by the CEO in order to overcome the operational strategies formulated with the 1998-2002, operational plan, which foresaw the company's accounting segregation and its separation into four, managerial independent business units. As the following quotation¹ indicates, the argument articulated by the company's CEO was that it would have been impossible for him to manage and control the function of these four independent business units. Thus, contrary to what the business plan foresaw, no managerial autonomy was ceded to the business units.

“...I did not see any point in the existence of business units if the decisions on issues concerning personnel management, budgeting, or procurement for instance were made outside those units... there was strong disagreement on this issue, but the CEO at the time [articulated] the seemingly logical argument that here I cannot monitor a single directorate for economic, planning and personnel... how will I be able to monitor four or more? ... The truth, however, is that when you establish business units, they must have different functions” (Interview PI, 30 June 2006).

The effort of the CEO to control and coordinate the inner organisational context, and the effects that the concentration of managerial power in his hands had in his effort to secure the trust of his subordinate managers over his competence to perform the objectives with the business plan objectives, are discussed in the next section.

¹ It was provided by the then manager, who was responsible for the company's strategic and administrative planning.

6.3.3. Implications in the effort of the CEO to legitimise his position

In Chapter 3, it was argued that accountability in organisational systems is the outcome of the norms, rules and values known to and shared by the members of an organisational system that underline the objectives of their organisational action, and establish a rule following aspects of action and behaviour. This is why, while the meaning that underlines organisational action can be influenced by individual actors, it cannot be defined by them. The meaning of the action is collectively formulated, and thus individual actors cannot control the perception that the other members of the organisational system form about their intentions and objectives. That argument becomes clear from the way that subordinate managers perceived the CEO's decision to concentrate managerial and planning authority in his hands, and to overcome the formulated operational strategy by not establishing the business units foreseen with the business plan.

While the operational and managerial conditions in the organisation described in the previous sections, and the lack of trust over subordinate managers competence to perform their role may justify the CEO's decision to concentrate managerial power in his hands, the reality is that, without the necessary independence and the assigned responsibility for which one would remain accountable, planning, control, and performance evaluation systems have no practical role to play in the company's ongoing organisational action. Managers regard themselves as agents when they have the ability to act, to make decisions to participate in the formulation of the objectives of their departments or business units, to control the process and the outcome toward objectives, and finally to remain accountable for any deviations from the collective formulated rationality (as this is described by the objective and the selected action). If the responsibility for the formulation, implementation and evaluation of the organisational objectives lies solely with the CEO, this leads to the isolation of his subordinates from the process of the company's managerial and operational modernisation; moreover, as the following quotation indicates, it cancels out the learning objectives that the management with the 1998-2002 business plan were hoping to meet.

“So in this case we have the issue of responsibility. On the one hand, the management is obliged to allocate responsibility and monitor the result of actions. On the other hand,

the existing situation in our organisation is very convenient for everyone. No essential responsibility is given to organisational sub-groups, so one is not interested in monitoring the efficiency of their actions. At the same time, the managers and employees remain complacent, since the actions of the organisation are determined by others. Any objections raised by the CEO concerning the suitability of the business organisation and its qualities may be justified; however business units cannot operate without clear allocation of responsibilities and without decentralisation..." (Interview PI, 30 June 2006).

Managers felt that the patterns of organisational interaction remained unchallenged and they were once again denied the opportunity to act collectively and demonstrate their competence by undertaking managerial responsibilities. It is significant that in contradiction to what Law 2414 foresaw, the business plan made (period 1998-2002) did not foresee any executive authorities and tasks to the administrative council¹, which in practice constituted the only collective management scheme with an executive role to play. The lack of an administrative council meant that all information available to the BoD² was controlled by the CEO. This is why the ability of the company's board of directors to formulate the company's strategic objectives and to control the administrative manager for the efficient implementation of the social, financial, investment and operational objectives set with the business plan was limited, as the following quotation indicates (trans.):

"The BoD is required to exercise control in accordance with the objectives that have been placed. What possibilities exist [for the BoD] to realize effectively its role, to exercise control on CEO's decisions, when all the information that it receives emanates from the CEO who is the one under control. There never was an operational unit within the organization that could have access to information and that it will be accountable directly to the board of directors so that the latter can be in position to monitor CEO's actions" (Interview BA, 4 September 2006).

The crucial conclusion to be made is that while the 1998-2002 business plan was used by the CEO as a communication mechanism to control and rationalize financially organisational action, it did not constitute a framework of inner organisational dialogue, and it did not enhance participatory management. As the citation that follows exemplifies managerial

¹ The formation and allocation of managerial responsibilities to the administrative council was first foreseen in the socialisation act.

² Contrary to the conventional perception the BoD in the OSE has no executive powers. It has the responsibility for the company's social control and strategic planning.

authority, and organisational dialogue are seen by the CEO, as contradictory concepts resulting in inefficiencies when the intention of the administrative director is to exercise management by objectives. The need to exercise his authority according to the efficient and effective application of the managerial and operational objectives set with the 1998-2002 operational plans, becomes essential for the CEO, not only due to his belief that his subordinates are incompetent to perform the allocated responsibilities, but more importantly, due to his belief that no moral principles and values existed to influence subordinates actions and their objectives. It is obvious that the CEO believed that only self motivated interests are those underlining his subordinates' actions and the only way to control their effects is to closely monitoring these by exercising his authority.

“...I am satisfied with the way that organisation's executives reacted, in my way of work which is not particularly easy, because when you are the head in an organisation there is no tolerance for many discussions, particularly if you have a specific direction and targets to implement. If a CEO discusses a lot it means that he does not know his work. Discussion is based upon the exchange of opinions, but it is also an indication of the way work has to be done. Decision making is not a democratic process in the sense that the majority decides; rather it has a technocratic meaning of what has to be done according to the targets. Administration is required to function according to this form, because organisation's employees are morally exhausted...” (Interview MI¹, 06 July 2006).

With his decision not to establish independent operational units and to allocate responsibilities to the heads of these units, the CEO breached the rationality that underlined the business plan. The changes in the operational strategy were perceived by subordinate managers as an action that served CEO's individual interests, the targets, and the terms incorporated in the managerial contract which the Chairman of the BoD and the CEO signed with the ministries of Finance and Transport. Many senior managers, members of the administration in the period 1998-2002, perceived the performance indicators in the business plan and the managerial contract were nothing more than the delineation of trends concerning passengers' service development, easy to configure and to depict. As a former general manager stated (trans:)

¹ The company's first appointed CEO

“There are targets in the management contract signed by the Managing Director but there is also a problem... they are downgraded... you don’t have any trust because it depends on the target of the person negotiating the business plan according to which he will act... so the CEO described the situation with the worst terms. Because business plans have long-term 5-year targets, the management sets high targets with too many prerequisites which are never fulfilled because the conditions that were set prior to that have not been met. In microeconomic indicators, that is, in the deficit [figure], you set a downgraded target which is easily met and you also expect that you will be rewarded for this effort. Therefore, you do your own calculations and you know what you can achieve. So you set targets depending on what you can achieve and how you can be rewarded for it.” (Interview ML, 09 June 2006).

Moreover, employees and managers became increasingly concerned over the objectives and motives of the CEO. The CEO’s need to comply with the requirements and expectations of the Greek Government and the European Committee for a financially independent and economic effective rail organisation concentrated the company’s investment strategy upon the completion and modernisation of the rail axis between Patrai-Athens-Thessaloniki (total length 700km; see the railway map). From a business perspective, this was the part of the Greek rail network in which the provision of rail services for customers and freight could generate adequate operating income for the rail company. Moreover, it was the part of the Greek rail network from which the investments for its modernisation secured financing from the European Union, as part of the Trans-European rail network. For the rest of the rail network (total length of 2205km), the management foresaw minor investments, aiming to keep the rail network operational but without implementing major modernisation projects, a decision which in practice was leading these parts of the network to operational neglect.

“...so there are scenarios which envisage a reduction of cost. One of these scenarios, which is not documented out of concern for the potential political fallout, stipulated drastic cuts in expenses by closing down the network of the Peloponnese¹...” (Interview MI, 06 July 2006).

Moreover, the company’s financial rationalisation, presupposed the restriction of the company’s business activities to those services that could generate operating profits. It is significant that, in contrast to the explicit with the strategic plan (1998-2005) corporate aims

¹ It is the most financially inefficient part of the Greek rail network with limited operating capabilities owing to the lack of investments on rail infrastructure and superstructure.

and business actions, the CEO believed that the provision of services to freight customers in Greece has no profitability potential. As the following quotation indicates, the CEO believed that only the provision of rail services to passengers can secure the necessary and demanded financial viability to the company's business activities.

“The transportation of goods requires the existence of cargo... there lies the difference between Greece and other networks in Europe. There are two main economic centres in Greece; one in Athens and one in Thessaloniki. According to one view, the railway in Greece should turn to commercial transportation; I think that this strategy is wrong. Nowadays, goods are transported door-to-door. The railway does not have such business capabilities... and it cannot compete with cars as a means of transport... However, it is difficult to admit that we've lost the game and even more difficult to convince people that this policy is not effective” (Interview MI, 06 July 2006).

However, as the above quotation indicates, the CEO could not persuade the inner, organisational context to provide reasoning over the need for the company's financial rationalisation, and the restriction of the company's operational activities. The rationale that rail services and profitability are two incompatible concepts and objectives, and that it is inappropriate to evaluate the performance of the OSE according to short-term financial performance indicators, was still dominant in the Greek social context, influencing the behaviour of organisational actors. Apart from the managers in the finance and accounting departments who prioritised the control of the company's operational deficits, for the rest in the research participants, the development and modernisation of the rail network were the prime strategic objectives for the company to enhance its operational and consequently, earning potential.

“The suggestions of reconstruction of OSE which were discussed between the government and OSE administration... gave rise to controversy... In general, this is a business plan [1998-2002], which demands an essential shrinking of the railway network... the justification that these suspensions are taking place in order for OSE to become a profitable business is at least historical and naïve... it is the social role and the large indirect macroeconomic benefits that the railway offers and that the state should fund... the construction of greedy road works is a challenge and a major scandal... it is a scandal to continue with the ratio 1 to 5 for funds that are allocated to railway and road works respectively.” (Interview KN, 7 September 2006)

The CEO could not persuade his subordinate managers and employees, nor did he have the power to impose upon them strategies aiming at the company's radical financial rationalisation through the abolition of the loss-making operating activities and parts of the rail network. This is why the CEO's intentions remained implicit, and did not become explicit objectives defined in the company's business plan. However, while the implication of instrumental mechanisms of accountability in the strategies of administrative managers to dominate the inner organisational contexts, and to impose their rationality emerge (as the analysis in Chapter 2 indicates), as the main reason for their disaggregation from the ongoing business activity, the present analysis argues that such an argument can only partially explain the segregation of business plans from the ongoing business activity in a state-owned organisation.

Despite the fact that in the case under study, the business plan failed to make explicit all managerial intentions, and moreover, to establish relationships of mutual trust between the CEO, and his subordinate managers, the meaning of organisational action - as that was defined from the central choice of the accounting segregation between rail services business units, and infrastructure manager - was the outcome of a social process and thus, it established a rule-following aspect of business action. The power of subordinate managers and employees to penetrate the conditions of organisational reproduction, and the motivation of the CEO to manage and control organisational action resulted in the business plan being used as a norm that communicated to the outer institutional environment, what collectively was perceived by organisational actors, a legitimate operational strategy, conventional to the company's operating and financing needs. Still, while the 1998-2002 business plan managed to express collective objectives in relation to the company's accounting disaggregation, its use in the formulation of the company's relationship with its outer environment, and more particularly with the Greek Government, failed. This topic is discussed in the next section.

6.3.4. Patterns of continuation in the relationship between the Greek Government and the company's administration

Through managerial accountability reform, the Greek Government aimed to enforce a new model of public administration based upon managerial performance evaluation, and the faith that assigning increased responsibilities to the CEO would secure the efficient, and

transparent use of the financial resources, entrusted to the OSE by the Greek Government and the European Union, for the managerial and operational modernisation of the rail company. More important, managerial accountability reform aimed to detach Greek politicians from the OSE's administration. Nevertheless, the reality is that the business plan and the objectives formulated with it could not be used by the government in its effort to evaluate the CEO's performance, as well as the efficient and effective implementation of the business objectives formulated and agreed with these.

Managerial accountability reform, introduced with law 2414 of 1996, had not been thoroughly planned by the Greek Government. The Greek Government, and more particularly the Ministries of Transport and Finance (the responsible Ministries), lacked the necessary organisation and competent personnel that would allow them to use the business objectives formulated by the OSE in order to evaluate the company's management performance. It is significant that, in the Ministry of Transport, the relevant department employed only two staff members with the responsibility to evaluate the operational strategies proposed by OSE's management.

“We used to gather information and to read the organisation's year-end reports concerning the efficient implementation of the projects included in the investment plan. But as we were only two people, it was impossible for us to exercise efficient control [on behalf of the Ministry of Transport]...” (Interview DX, 26 September 2006).

The absence of a responsible institutional body that would define the country's railway strategy¹ led to responsibility being transferred to OSE². While it may be argued that historically the national railway policy coincides with the company's strategy (since the national railway network constitutes OSE's asset having the responsibility to develop,

¹ For example, in the Czech Republic, the Ministry of Transport decides on the closure of railway lines in agreement with the Ministry of Defence. A Rail Authority has been established and is responsible for the construction of rail infrastructure and for the operation of rail systems. In Italy, the Ministry of Transport and Communication has the responsibility for the formulation of the country's rail strategy and regulation. In Austria, the BMVIT Sektion II (supreme authority for railways and other public traffic systems) is responsible for the interconnection between national and regional planning affairs, finance and control in the entire railway organisation. In the UK, the Strategic Rail Authority is the main government agency that deals with rail (ERRAC, 2004)

² Some European countries have an independent ministry responsible for their national railway policy

maintain and operate it), assigning such a responsibility to the company's management can be viewed at least as inconsistent. Owing to this inconsistency, the organisation and its management are in practice both the controller (since the company's management is the one which formulates the national railway policy and in practice legislates), and at the same time the one under control (since it is the one who implements that policy). Hence, keeping the national railway policy contingent on the company's strategy means that the Greek state's rail policy is defined by OSE's business objectives that are in turn influenced by the managerial objectives included in the management contract signed between the Ministers of Finance and Transport and the CEO (according to law 2414/1996). Upon the satisfaction of the objectives incorporated in the management contract, CEO's compensation is based. The outcome of this contradiction is that the country's railway policy may be captured by the motivational characteristics of the actions and decisions of the rail company's administrative manager. Consequently, the theoretical concept of the dialectic of control, the power that the subordinate has to control the information that the super-ordinate needs becomes an oxymoron, since the controller, the ministers of finance and transportation cannot derive and evaluate the necessary information for their objectives; instead they are totally dependent on the information provided by their subordinate (the CEO). Thus, the contractual relationship between the government and the management becomes meaningless, with the set operational business and managerial objectives becoming irrelevant to that relationship.

“In Greece, the state never had knowledge of the railway... despite what is being said, what has ever been said and written, Greece could not make a distinction between its railway policy and OSE” (Interview DX¹, 26 September 2006).

Moreover, the efficient implementation of the business plan and the managerial objectives stipulated with it were contingent upon the completion of the work projects by ERGOSE and to the fulfilment of the government's financial obligations towards the organisation, as defined by the economic agreement² signed between the OSE and the Ministry of Finance.

¹ This particular manager for a period of approximately of three years was working for the rail department of the Ministry of Transport and he was the Minister's of Transport (2001-2004) advisor.

² According to the economic agreement, the government has undertaken the following responsibilities: a) to finance the company's investment plan, b) to compensate the company for the provision of non-commercial services and for maintaining the rail infrastructure (in order to balance the market conditions and the competitive disadvantage between rail transport companies and road transport

However, the Greek Government was proved, once again, to be inconsistent to the obligations emanating from law 2671/1998 that defined the financial responsibilities of the Government towards the organisation. Apart from the provision of the necessary financial resources concerning the investments in the rail infrastructure and superstructure, the company had to borrow funds from Greek and foreign banks for the costs related to the maintenance and operation of the rail infrastructure and the provision of social services. During the period 1997-2000 the financial contribution of the Greek Government towards covering fixed expenses like the maintenance and management of the rail infrastructure, and variable costs emerging from the provision of social services was nil. While the government was underwriting the contracted loans, the capital borrowed and the interest rates charged on the principal amount burdened the organisation, further deteriorated its financial position and restricted the CEO's ability to meet the agreed financial targets.

Apart from the difficulties in the financing relationship with the Greek Government, the CEO of the OSE was not in a position to control the business action of OSE's subsidiary ERGOSE, and to keep the subsidiary's management accountable for any deviations from the agreed objectives with the OSE. While ERGOSE had been established in order to improve the efficiency and effectiveness in the implementation of OSE's investment projects, (those financed by European funds), the reality is that the subsidiary's establishment resulted in increased contradictions and conflicts. The relationship between the two companies (the parent and the subsidiary), at least for this first period (1998-2001), was characterised by continuous conflicts between their managements, owing to the effort of the parent company to exercise control upon ERGOSE. As the following quotation states (trans.):

“They ceded [the Greek Government and OSE's previous administrations to ERGOSE] the management of national and European funds without any control. The period 1997-2002 was characterized by a great clash between OSE and ERGOSE. On the part of OSE, its subsidiary was refusing to be subjected to any form of control by OSE. Control of ERGOSE was particularly essential [for OSE]. This company had assumed the

companies) as well as c) to continue financing, until 2002, when the modernisation of the infrastructure would have been completed, the total annual operational cost. Moreover, the government agreed to undertake the total accumulated deficit, (approximately €1.106 million), which was acknowledged to be the result of the Greek Government's refusal to compensate the organisation, according to the obligations emanating from the 1972 economic agreement.

responsibility of carrying out the organisation's investment plan. If this plan is not carried out, the goals of the business plan are worthless. The way in which the investment plan is carried out also determines the quality of the relations between OSE and its subsidiary. So what OSE wanted was to realise the degree of progress of the investment plan. This company [ERGOSE] did not manage to respond to the demands and expectations for which it was established" (Interview TZK, 28 August 2006)

An example of the negative effects upon OSE's business planning, from ERGOSE's inability to fulfil its responsibilities towards OSE, is the case of the purchase of electrified train engines, a decision made by OSE in 1998. While it was expected that the modernisation of the railway infrastructure and its electrification, or at least a large part of it, would have been completed by 2002 (according to the investment plan before the Athens Olympic Games), the delays in the construction and implementation of the necessary projects (that have yet to be completed) have resulted in these engines, purchased by OSE, remaining unused in the warehouse.

"...based on the plan we should have electrification of the railways but these complementary projects [of the electrification of the rail truck] did not proceed. As a result, we now have electric locomotives which are not used..." (Interview TD¹, 13 July 2006).

When the 1998-2001 OSE's CEO tried to exercise his authority by attempting to change the subsidiary's executive management, which he perceived as being responsible for the delays in the completion of the modernisation projects on rail infrastructure and superstructure, he clashed with the Greek Government and was removed from his position.

"...what happened is that he attempted to fulfil his authority and to take control of ERGOSE. He had made the decision to call shareholders' general meeting, as he could do by law, and to change the subsidiary company's executive management... though the minister of transport had a different opinion... one night he invited us [the general directors] in his house and he announced to us that he had been removed from his position" (Interview ML 10 June 2008).

The reality is that instrumental forms of control, like the business plans, the managerial contracts and the economic agreement between the company and the government, had no role

¹ Senior manager at the operation department

to play in the relationship between the management of OSE and the Ministries of Transport and Finance. It can be argued that their incorporation provided the CEO with increased powers, since they made each party's responsibility transparent and, moreover, allowed the CEO to control the information necessary for the evaluation of business and managerial performance. It has become clear that such an increase in power was not desirable to the Greek Government, which continued to intervene in the company's day-to-day management in order to perpetuate the already existing relations of power. This is why the patterns of the interrelationship between the company's executive management and the government remained unchallenged, permeated by the government's decisive intervention and pre-eminence in the day-to-day organisational activity.

“...when a Minister contacts you, he does not do it to accommodate you but usually to ask you for a personal favour, or to guide you by supervising you. However, supervision is an unclear concept, what is there to supervise? There are specific legal frameworks which determine Ministers' supervision. If he considers imposing his views on who becomes a director as supervision, this is not supervision but rather intervention...” (Interview MI, 06 July 2006)

Even though the CEO had signed a five year managerial contract, almost three years after his appointment, he was removed from his position. While it was a legal requirement, the managerial contract signed in 1998 was the only contract ever signed between the Ministry of Finance and OSE, thereafter executive management. All the successive Chairmen of the Board of Directors and CEOs were appointed without signing a managerial contract. Furthermore, none of the sequential operational plans (made after 2002) has been approved by the government. Consequently, the disaggregation of business plans from the planning and operational control procedures is the result of the inability of organisational actors to retain a level of managerial independence from the Greek Government.

“The most serious impact of the non-approval of business plans is the fact that they became undermined within the organisation. In other words, the business aspect ceases to be an element of the organisation's day-to-day functioning... (Interview TV, 14 July 2006)

Within the context of the Greek rail organisation, decoupling of instrumental forms of control as organisational phenomenon emerged in order to accommodate the Greek government's

needs to dominate the organisational context. That was a result directly related to the government's inability to use business plans and the managerial contract in order to evaluate OSE's managerial and business performance, and to impose its objectives and interests upon the organisation. The immediate effect from the fact that business plans had no role to play in the formulation of relations of responsibility between the various roles, performed by OSE's organisational actors, the Greek government and the European Committee, is that the control of the rationality underlying decision making and business action has become problematic.

6.4. Discussion

Chapter 6 describes the materialistic conditions governing the patterns of organisational interaction in the context of the Hellenic Railway Organisation, and how the legitimate structure of managerialism has influenced the transmutation of these patterns. The first part of the analysis aims to make apparent the critical role of the European Committee in the process of the company's modernisation according to the principles of managerial accountability reform in the public sector, as analysed in Chapter 2. For analysis purposes, the influence of the European Committee was examined in two different, but at the same time interrelated, socio-economic contexts: the micro one which is related to the reforms taking place in the European rail industry, and the macro one which is related to the Greek governments strategic choice to improve the country's fiscal conditions in order to meet the criteria agreed by the member states of the European Union with the Maastricht Treaty, and the country to become part of the Euro-zone.

Emerging from the influence of the European Committee at micro level was the company's segregation and the establishment of ERGOSE, as well as the application of new control mechanisms aiming for transparency in the use of the available European and National funds for the modernisation of the company's assets. According to the European Commission, a critical condition for the necessary transparency and efficiency in the use of the allocated financial resources to be achieved is OSE's managerial independence from the Greek State, a perception also shared by the company's employees, and managers. The latter perceive that the intervention of political parties and the employees' industrial union in the organisation's

business planning activities and day-to-day management is responsible for the company's inability to apply its modernisation process efficiently.

The analysis in that section offers a very interesting contradiction in relation to the argument developed in Chapter 2, according to which the coercive influence of the institutional environment emerges as the main reason for the disaggregation of formal control systems and performance measurements (Lawton, 2000; Laegreid et al, 2006). In contradiction to that argument, the analysis shows that managers perceive the introduced changes, and in particular the use of financial indicators (in the effort of the European Union to measure the efficiency in the use of the European funds, in order to maintain OSE, and its subsidiary ERGOSE accountable for any inefficiency and deviations from the agreed objectives), as a positive and needed change. Even though the institutionalisation of business plans¹ as formal systems of control was not initiated by the company's management, the influence of the European Committee has mobilised reflexive monitoring of action, and has made imperative the need for the rationalisation of the process according to which the formulation, implementation and monitoring of the investments on railway infrastructure is applied. For that reason, the role of the European commission is seen as positive by employees and managers. Nevertheless, it must be strongly emphasised that the positive perception that employees, and managers have over the role of the European Union is in addition based on the provision of financial resources from the CSFs. These were made available in order that the company could modernise the rail infrastructure and superstructure, as well as the managerial and operational control systems. For that reason, the company's management and employees accepted the decision made by the European Committee in agreement with the Greek Government to establish ERGOSE, and to transfer to the subsidiary the responsibility for implementing the company's investment plan.

However, while the European Committee perceives that managerial independence is contingent upon the company's financial independence from the Greek Government, such a

¹ Aiming at a first stage to secure that the investments financed by the European Union are in accordance with the overall objectives, agreed with the European Committee and the Greek Government, and at a second stage to measure the efficiency of the implementation process, in terms of budgeted financial resources, and time targets.

perception is not shared by employees and managers in the OSE. The latter believe that the primary objective of the OSE should be the provision of rail services to all citizens. In order for that objective to be realised, the rail network's expansion and its modernisation should be the first priority for the company and its administrative managers. However, such an objective cannot be satisfied without the financial support of the Greek Government, first for financing the implementation of the necessary project, and secondly for providing financing for the rail company's operating needs. For that reason the proposed disaggregation by the European Committee, with the European Directive 91/440, between the management of the rail infrastructure and rail operators, aiming at the corporatisation of the OSE, and to secure transparency in the financing relations with the Greek Government, was seen by managers and employees as irrational.

The disaggregation between rail infrastructure and rail operators prerequisites a major shift in the norms and rules that shape operational action. In complex operational systems like the railways, such a shift is not always easy to achieve (see Chapter 4). Especially in OSE, where responsibilities are not strictly defined, and, patterns of organisational action are shaped by informal rules and regulations, the disaggregation between the company's operational systems can result in operational failures. The case of the British Railway Industry provides the ground for such a critique (see Chapter 4) in addition to the planning and control inefficiencies, which have emerged from the company's bad cooperation with its subsidiary company ERGOSE. This is why the perception shared between employees and managers is that the implicit objective pursued by the European rail Directives, of the business disaggregation of the management of the infrastructure from the provision of rail services, has not been thoroughly planned by the European Committee, whilst at the same time they were acknowledging their incapacity to formulate strategies that would efficiently apply the OSE's business disaggregation.

Even though they were not made explicit in the previous analysis, it would have been wrong to exclude reasons that justify the opposition to the company's business disaggregation that are related to the ontological characteristics of human behaviour. More particularly, the reasons are related to the anxiety that such a change would cause to employees and

managers. The latter were fully aware of the fact that any effort for the company's financial rationalisation pre-supposes the abolishment of benefits, and, more important, job reductions. This argument is made apparent in Chapter 5, when the proposed strategies by the formulated operational plan caused the reaction of the employees' union. As a result of the inner reactions and opposition in the period 1991-1997, it was not made possible for the OSE to apply an operational strategy concerning the disaggregation between the manager of the rail infrastructure and the operating business units.

Managerialism that emerges in the context of the Greek public sector with law 2414/1996, as a result of the Greek Government's effort to meet its macro-economic objectives, conceptualises all the legitimate meanings that give substance to the target of the European Committee and the Greek Government to corporatize OSE and to rationalise financially the company's operating activities aiming at the company's profitability. For that reason, the company's disaggregation was one of the main strategic objectives assigned to the newly appointed CEO in June 1997. However, as the case of the first nominated candidate for the position of the CEO indicates, managerial authority in the organisational context of the OSE is not pre-given. In the organisational context of the OSE, subordinates have increased power and the ability to restrict the authority of the CEO to impose strategies unilaterally, such as those related to the company's business disaggregation.

The need of the appointed CEO to gain the trust of his organisational subordinates and to legitimate his authority to plan and control organisational action, resulted in order the five-year (1998-2002) formulated operational plan to adopt the accounting segregation between the rail infrastructure business unit and the operational divisions. The present analysis concludes that the decision concerning the company's accounting disaggregation was the outcome of the ability of the CEO to acknowledge the materialistic conditions in the organisational context of the OSE that bound his authority to impose unilaterally operational strategies that contradict the views and perceptions of his subordinate managers and employees. Moreover, it was the outcome of CEO's intention to realise his objectives, which was the company's financial rationalisation. The CEO could not use the operational plan made in order to articulate reasons that could justify the rationale of the company's potential

business disaggregation or any other business scheme apart from the company's accounting segregation. The selected operational strategy was compatible with both, which is perceived by employees and managers as acceptable operational strategy, and the CEO's effort to control and coordinate organisational action in order to reorganise it. Even though the 1998-2002, operational plan was not the outcome of a democratic process based upon dialogue and collective forms of management, it managed to establish a rule following aspects of operational action with certain objectives to be accomplished by the CEO and his subordinate managers and employees. This is why the 1998-2002 operational plan gained a substantial meaning, implicating organisational roles in the process of the company's financial rationalisation.

Even though organisational actors failed to establish relationships of mutual trust, since the CEO was regarding his subordinates as incompetent to contribute efficiently to the implementation of the business objectives agreed with the Greek Government, and the European Committee, while on the other hand the subordinate managers believed that the performance objectives described with the operational plan were manipulated by the CEO, the analysis will not argue that this was the reason for the disaggregation of the operational plan and business objectives from the day-to-day operational action. The effort of the CEO to legitimate his authority resulted in the operational plan being made and the objectives set to be used in order to define roles and responsibilities, aiming to designate those competent to perform the allocated responsibilities and to apply the company's reorganisation, a conclusion in agreement with the argument made in Chapter 3¹ according to which, is the distinction between action and intention that gives substantial meaning to instrumental forms of control (Kallinikos and Cooper, 1996: 3).

The disaggregation of the operational plan from the company's day-to-day operational activity was the result of the pressures exercised by the Greek Government on the CEO, aiming to impose interests and practices beyond its defined role with the managerial contract and law 2414/1996. The reality is that the formulated operational plan never defined the relationship between the company's management and the Greek Government. The fact that

¹ Section 3.4.

the National rail strategy overlaps the company's business strategy means that the company's management never gained the intended independence from the Greek Government by the European Committee. Even though the subsequent appointed managers were formulating operational plans, as the European Committee requires, none of these has been approved, at least explicitly, by the Greek Government. At this point a major contradiction emerges in relation to the company's reorganisation and modernisation, between the intentions of the European Committee, and those of the Greek Government. The emerging implications on the ongoing organisational operational action, and the company's relationship with the European Committee and the Greek Government, are discussed in the following chapter.

6.5. Conclusion

The purpose of the present chapter was to describe the way in which the managerial accountability reforms introduced in the period 1996-2002 influenced the process of the reproduction of the Hellenic Railway Organisation. The chapter emphasised the predominant role of the European Commission in the process of the company's modernisation, and the efforts of organisational actors to influence and to inform the process of reproduction.

The analysis indicated that the failure of operational plans to constitute frameworks of organisational interaction and to establish managerial authority was the outcome of the contradictions, and inconsistencies characterising the institutional environment. In practice, the operational strategies formulated were the outcome of the intra-organisational tensions, and secured a level of managerial independence from the coercive influence of the Greek Government and the European Commission. Nevertheless, such independence contradicts the implicit objectives of the Greek Government, which has been targeting to secure its influence upon managerial action, and has resulted in sterilising the managing director's authority from controlling the ongoing operational action.

The following chapter describes the structuration process in the period 2002-2006, and the emerging implications upon the managerial and the operational action from the decisions that the subsequent managing directors received in relation to the objectives and requirements of the European Directives. Given the fact that executive management lack managerial

independence and autonomy, along with the fact that the operational plans (which were incorporated in order to secure legitimacy and trust to the CEO), have no practical substance, the following chapter attempts to describe the structures which have influenced and informed the formulation of accountability relationships.

7 Chapter – Discontinuing accountability and the way towards the deregulation of the Greek rail industry: a direction without tomorrow?

7.1. Introduction

In contrast to the period 1998-2002, which is characterised by the decision to segregate the company's accounting between the rail infrastructure business unit and the operating business units, the period 2002–2008 the following analysis considers the company's business segregation, and its transformation from a single entity to a holding company. The following analysis gives an account of the materialistic conditions that have influenced the decision of the disaggregation of OSE, and attempts to discuss the way in which successively appointed CEOs¹, in the period 2002-2008, managed to justify and achieve the company's business segregation.

Two important aspects have to be emphasised in this introductory note; the first is that the strategic and operational plans drawn by successively appointed CEOs in the period 2002-2008 have not been approved - at least explicitly - by the Greek Government. In contradiction to what law 2414/1996 required, in the period 2002-2008, the company's successive CEOs and Chairmen of the Board did not sign a managerial contract that would define the management's objectives according to which they would have been assessed for their performance by the Greek Government. Moreover, law 3429/2005 (which amended law 2414/1996) did not foresee managerial contracts, and gave Ministers the right to dismiss the management without compensation. The second aspect relates to the fact that this is a period during which the reforms in the European Rail Industry had gained a more holistic approach, defined by the European Directives 2001/12, 2001/13, 2001/14, (the first rail package), as well as by the European Directives 2004/51, 2004/50, 2004/49, (the second rail package). These directives open up the rail transport market for freight and cargo services (the passenger market will be in 2010) to regulated competition².

¹ After June 2001, when the first CEO was removed from his post during the period 2002-2008, the successive Greek Governments and Ministers of Transport appointed six successive CEOs. The company's business segregation was designed and implemented by two different CEOs, (the one remained only for seven months at his post).

² See Chapter 4, section 4.3.

The analysis within this chapter, therefore, aims to describe the use of the formulated business plans by the successive administrators in the period 2002-2008 as interpretive schemes and norms, communicating and justifying the rationale for the company's segregation, facilitating the need of the successive administrator managers to control and coordinate organisational action. Moreover, the analysis in this chapter aims to describe how the effort for the formulation of common meanings between organisational actors was influenced by the contradictory intentions of the Greek Government and the European Committee, identified in the previous chapter. The present chapter is divided in two sections. In the first section, an account of the rationale that influenced the decision for the company's business segregation is provided, whilst in the second one the materialistic conditions and the reasons that led to it are discussed.

7.2. Towards a new rationality of operational action

The OSE business segregation was the outcome of the revision of the five year (1998-2002) operational plan, which took place in 2003 under a new executive administration,¹ and it was based on the establishment of a holding company. The company's reorganisation, the business segregation between the infrastructure division and the service operator were defined as management's primary objective in order for the company's business activities to gain the necessary financial and administrative efficiency in the objectives which, according to managerial opinion (as this is expressed in the 2003–2007 strategic plan), the previously formulated operational strategy, that of the company's accounting segregation, had not managed to achieve.

“The initiatives taken should pave the way for the creation of those initial conditions under which the OSE, one of the oldest and least susceptible to organisational change organisations, could evolve into a more modern corporation, able to function within a constantly changing economic environment, its guiding principles being a) to serve its customers-users and b) to become profitable” (SAAS, 2005: 224; trans).

Moreover, the company's business segregation was aiming at the complete separation of the financial accounts between the rail operator and the infrastructure manager, so that the costs related to the rail infrastructure's management and maintenance would burden the Greek

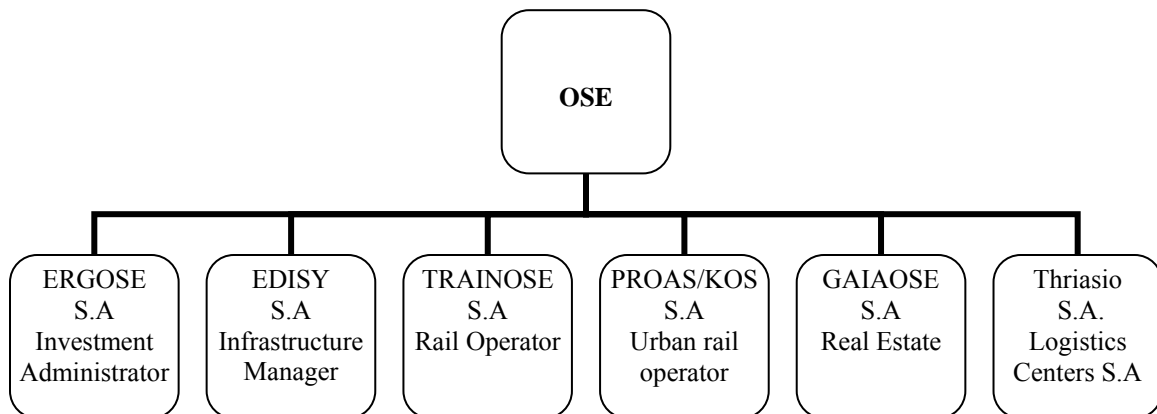
¹ 2002-2005

Government, and not the rail operator. As the analysis in Chapter 6, shows, the previous relationship, based upon the economic agreement between the Greek Government and the OSE, was not effective, since the Greek Government never fulfilled its obligations towards the organisation for operating unprofitable services.

“The autonomous infrastructure will result in relieving the transportation services of the inevitable losses which are caused by the operation of the specific sector [management, maintaining and modernising the infrastructure] and whose recovery should be assumed by the Greek State. Moreover, the establishment of separate companies and business entities will contribute to the distinct apportionment of the financial results [profits or losses] of the organisation among its different operating services and, in this way, will be able to exercise the option of cutting its loss making operational activities.” (OSE, 2004).

The first step towards the company’s segregation took place in 2003 when, under a new administration, OSE preceded to the establishment of three new subsidiary companies, aimed, as stated with the 2003-2007 business plan, at the more efficient exploitation of the company’s assets. In addition to ERGOSE, which is the administrator of the company’s investment programme (established in 1997), three more subsidiary companies were established: PROASTIAKOS S.A. (the urban transport operator), GAIAOSE S.A. (acting in the field of real estate), and THRIASIO S.A. (a logistic services provider company). The Company’s disaggregation was completed in 2005, when the train operator “TRAINAOSE” (responsible for the provision of rail services) was segregated from “EDISY” (the infrastructure manager), at first, as independent business units, and later, in 2007, as independent corporations (see the coming figure 7.1).

Figure 7.1: OSE's new organisation after January 1st 2007



Initially, the 2003 - 2007 business plan proposed the foundation of eight subsidiaries, operating under the parent company OSE. OSE retains responsibility for the formulation of the strategic framework within which the subsidiaries would operate and coordinate, whilst it also retains the ownership of the rail assets (the rail network infrastructure, the telecommunication systems, the train stations, the train engines, the land and the buildings). However, the eight subsidiary companies put forward in the 2003 - 2007 business plan was a suggested number, without making explicit the management's intentions over the corporate and operational objectives of the company's reorganisation. As the following quotation indicates (provided by a senior manager, member of the 2003 - 2007 administration), the business plan was rather a suggestion made by OSE's executive management to the Ministry of Transport for the possibility of establishing subsidiary companies. This is why under successive reviews¹ of the 2003-2007 operational plan took place, under successive administrators (period 2005-2008), the number of the subsidiary companies was reduced, initially to six, and at a later stage to five companies².

“...in general, it was the senior management who drew up the business plan (2003-2007), and it did not impose it but merely referred to the possibility of establishing subsidiary companies. There was no formulated action; it was rather just more ideas...” (Interview, TV 14 July 2006; trans.).

¹ The first one took place in 2006 and the second one in 2007.

² Those mentioned above.

Even though OSE's disaggregation into various businesses, that would more efficiently financially and operationally exploit the company's assets, pre-existed as an idea in the organisation, and had been discussed in the company's BoD (BoD articles 287, 18.03.1996), the business disaggregation of EDISY from TRAINAOSE is seen as a decision beyond any form of business rationale and relevant experience¹ of the way that other national European rail companies, with characteristics similar to those of the OSE, applied the segregation between the infrastructure manager and the rail operating divisions. Based upon the model of business segregation, applied by the German railways, the plan established a complicated and costly system of managerial, operational, and financial interdependencies between the established companies, based on contractual relationships. As a manager sarcastically commented, in an effort to make apparent his disagreement with the management's choice (trans.):

“...The German model was adopted, as if there were even the tiniest relation or similarity between Greek and German railways²...” (Interview DX, 29 September 2006).

Within a period of three years (2005-2008) the company's net losses were almost doubled. At the end of the financial year 2004, the company had annual losses equal to €576³ million, while at the end of the financial year 2007⁴ the group had annual losses equal to €950

¹ In Chapter 6, the analysis shows that the application of the accounting segregation was compatible to the reforms applied in other European rail networks, and countries with similar characteristics, in terms of population, population density, and length of the rail network as well as economic characteristics, to those of OSE and the Greek Economy. For that reason, OSE adopted a model of organisation (according to which separate divisions remain under one entity) similar to the one adopted by Belgium, Ireland and Luxemburg.

² In relation to the German rail network, which is the longer among the 25 country members of the European Union with a total length, in 2002, of 35.986 km, of which 53% is electrified; the Greek one has a length of only 2.383 km - which makes it the smallest among the 25 countries - of which only 3% is electrified. While in 2002, the total passenger-km for the German railways reached 69.294 million, for Greece this was only 1.836 million. In 2002, the freight tonnes carried by the German railways reached 267 million; for OSE there were only 2 million tonnes (ERRAC, 2005).

³ It is significant to say that from these €576 million, €237 million are interest expenses outcome of the fact that the company has to borrow in order to cover its operating deficit in which the cost of managing and maintaining the railway infrastructure is also included and operating unprofitable services is included. According to law 2671/1998 these are costs that should had burdened the Greek Government and not the organisation.

⁴ 2007 was the first year in which the company began to publish annual financial reports using International Financial Accounting Standards (IFRS). While IFRS were not required, they were

million. The cost of services, from €373 million in 2005, increased to €682 million in 2007, while the organisation's total liabilities from €4 billion in 2005, reached €8.5 billion at the end of 2007. As the following article taken from a newspaper indicates:

“The Greek Railways show a deficit that has accrued over all these years [since 1972 when the company was established] and has reached the 7.5 billion Euros... the split of the companies the business disaggregation of infrastructure and service operating division... seems to have cost dear for the organisation, jerking the accumulated deficit to the point of 2 billion Euros within one year and a half. Moreover, we should bear in mind that in the 2004 sessions of Parliament, the ex-Minister of Transport made mention of a deficit reaching 3.5 billion Euros. A relevant memorandum circulated to the Prime Minister gave an account of the fatal financial haemorrhage which was caused by the company's disaggregation.” (Kassimi, 2007).

Opinions of research participants vary on who had the initiative for the decision for the company's business segregation and the formulation of the holding company; was it a decision imposed on the Ministry of Transport by the company's management as the following quotation indicates? After all, the 2003-2007 business plan and those who modified¹ it were never officially approved by the Greek Government.

“...OSE has exclusive knowledge of the railway in Greece and therefore it imposed the business separation under the pretext of European directives. It is a myth that the EU imposed the separation. OSE demanded that the political leadership separate the companies... in other words, the decision was not imposed on OSE, but rather OSE suggested the decision to the Ministry, which agreed” (Interview DX, 29 September 2006).

If the decision was not imposed on the Ministry, was it imposed on OSE's management by the Minister of Transport, as the manager's opinion below indicates?

suggested by the European Directives as the most appropriate standards for reporting financial accounts. According to the group's 2007 financial statements, the shift to IFRS did not have any impact on long-term and short-term liabilities.

¹ The introduced amendments took place with the 2005-2007 business plan and the 2005-2006, business plan.

“It was the decision of the Minister, who was educated in Germany and admired anything German¹...” (Interview VIA, 19 September 2006).

The value of the aforementioned conflicting opinions is not their difference, which arises from the fact that the first opinion came from a minister’s associate (during the period in which the changes were taking place), while the second came from a member of the management team who made the decision. On the contrary, the value rests on the illustration that the Company’s transformation into a holding company has been the outcome of a process in which the CEO and the Minister of Transport² were closely involved, whilst the plan (2002-2007) was worked out by a group of independent consultants, appointed for that purpose by the CEO. The invocation of the European Directives, and more particularly the new conditions created in the European rail industry by the requirements of the European Directive 2001/12³, were incorporated by the managing director in the period 2002–2005, in order to justify the need for the company’s business segregation, and the transformation of OSE into a holding company. As one of his successors in the company’s management admitted (trans.):

“...I did not find any reports demonstrating what the organisation wants, regardless of what the European Community suggests...” (Interview KF, 11 September 2006).

The only action that the management took in the period 2002-2005 was to construct a new organisation for the company, where the vertically functioning business units became independent businesses, and to draw a business plan, which in reality constituted a mission statement defined by the CEO’s visions over the future of the Greek rail industry in the changing and competitive European Environment. At no stage in the process of the company’s segregation was OSE involved, as a nexus of systematic relationships and roles functioning to formulate implement and control the various corporate actions related to the company’s disaggregation, their effects upon operational action and the generated costs. The 2003-2007 business plan was not the product of a collective managerial process, in which the

¹ The Holding Company as a form of business organisation in the European Rail Industry has been adopted by the German Railways.

² In 2004 general elections, it was the conservative party of New Democracy which gained the majority from PASOK, which previously ruled the country.

³ See the analysis made in Chapter 4, section 4.3.

various directorates and departments would have collaborated and mutually agreed on dividing overlapping responsibilities, operational, and administrative tasks. The decision for the company's business disaggregation concerned only a small number of senior managers, who were aware of the plans of the CEO and the discussions conducted with the Minister of Transport.

“...there were no hierarchies or collective bodies holding meetings or making their views heard. What we had in OSE was the power of one person, not even of two, but rather of one... whoever was aware of the situation in the OSE [period 2002-2005] were also aware that the managing director had imposed his views on everyone...” (Interview DX, 29 September 2006)

As a result the segregation of EDISY from TRINAOSE is seen by many managers and employees as nothing more than the uncritical adaptation to the requirements imposed on the organisation by the European Directives.

“...I have no conception of what they mean. We have to follow the instructions for the segregation, in other words, to destroy the time-tested model which has functioned normally, even though not faultlessly, and replace it with another model of doubtful utility. By observing the changes [it is important to mention that he does not use the phrase “by participating to the implementation of the changes”] we serve the dogmatic views once again. A dogma of religious dimensions [he becomes sarcastic]” (Interview XI, September 2006).

The ability of the appointed CEO in the period 2002-2005 to impose his will on the organisation was the outcome of the perception, shared by many employees and managers, that the CEO of the period was competent to perform the company's reorganisation and the efficient implementation of its investment project. Since 1994, the CEO, appointed in the period 2002-2005, had held the position of general manager of the rail infrastructure division, and he was perceived by many within the organisation, (managers and employees) as competent to take over the company's management. From the position of the General Administrator of the infrastructure directorate, he had made apparent to other employees and managers his ability to develop the company's rail infrastructure efficiently according to the dominant rules and objectives in the organisation values, as these have been developed over the years, mainly from the company's technical personnel, which still constituted the

dominant collective within the organisation. His appointment to the position of the CEO signalled to employees and managers that the expansion of the rail network constituted the strategic priority¹ for the OSE, an operating strategy different from that of the company's corporate and market orientation that the administration in the period 1998-2001 had set as a priority, and for which the head of a directorate quoted (trans.):

“We tried to promote and sell to customers a rail product [he means rail services] without having managed to create one” (Interview TD, 13 July 2006).

The fact that he was coming from the company's establishment also gave him the ability to understand the way in which power relations were functioning in the organisation, and the dominant role of the employees' union in that interplay. The adoption of the holding company as a form of business reorganisation, and more particularly the existence of the parent company OSE, was intended to secure public ownership of rail assets, and to signal to employees and their representatives that the group's state-owned character and their employee rights were not under threat. Thus, in contradiction to the analysis of the previous periods made in Chapters 5 and 6, no collective reaction against the plans of the CEO for the company's disaggregation can be claimed.

The general perception among the interviewees is that the CEO has offered employees' representatives a peculiar form of co-administration that led to a strange truce between the employees' union and the company's management, and to the support of his plans for the company's segregation. As the following quotation indicates, through changes in the company's organisation, the Human Resource Management directorate came under the CEO's direct control, and gave him the ability to play politics by satisfying the demands of the industrial union for the promotion and transfer of employees and managers that they were

¹ It is significant of what argued that his appointment at the position of the CEO was accompanied by the vision of expanding the rail network to the West part of Greece, where no rail track exists. However, the construction of the “Western Rail Track” demands a new rail network of total length of 747 km. The budgeted cost of that project is €2,71 billion, which is profoundly underestimated, taking into consideration that OSE will need in total €8 billion to complete the rail track between Patrai-Athens-Thessaloniki (the modernisation of which started in early 1990s), which has the same length and less technical difficulties.

indicating¹ to him. By contrast, in the period 1998-2001 (discussed in chapter 6), the analysis argued that through the application of performance measurements, and managerial control mechanisms, the CEO of the period aimed to communicate to employees and managers a message of meritocracy by designating those managers competent to perform managerial tasks and responsibilities. In the period 2002-2005, the participation in the company's management appears to be contingent upon the agreement among with the intentions and objectives set by the CEO of the period.

“...you cannot have the Directorate for Personnel directly answerable to the Managing Director, because that would give him the ability to monitor personnel management through transfers and promotions... with this modification, the personnel becomes the exclusive responsibility of the Managing Director and the political games that he was playing” (Phone conversation EG², 12 May 2008; trans.)

For that reason, many managers fiercely attacked the 2002-2005 CEO for the methods he used to control organisational action and behaviour, whilst many referred to him using pointed remarks concerning his intentions and interests. As a manager states (trans.):

“...the management have never been interested in how evaluation according to performance measurement will result, since, in the last analysis, they have never been assessed according to their performance measurement. This policy peaked in the period 2002-2005. The fact is that the management of this period has destroyed the organisation, since the administrative and financial efficiency of the organisation do not constitute the end that should be served. The management is weighted in favour of the politicians, the contractors and the suppliers whose interests are willing to serve, being indifferent to the organisational efficiency of the Greek Railways Company.” (Interview PI, October 2006).

Before continuing it has to be emphasised that the absence of any strategy that made explicit to subordinate managers, and employees, the objectives that the company's segregation would serve has characterised the whole process of the company's disaggregation, since

¹ It is notorious that the proportion of 70% to 30% represents the share in the promotions of employees and managers that the two main employee representative groups (representing the two main political parties of PASOK and New Democracy in OSE) shared. The proportion was changing according to which party was the ruling one.

² Human resource manager

2003 under three successive administrations and CEOs. As one of the successors of the 2002-2005 CEO admits (trans.):

“In my opinion, the effort for improvement concerns only the senior staff of the management of the Greek Railways Company; it does not concern the junior staff. The low levels of hierarchy are not aware of the march of events; this is why I am talking about communication and training. If the participation procedures, the corporative culture, the management contracts, the targets set remain at the managerial level, there will be no developments in the OSE...” (Interview KF, 12 October 2006).

Many of the managers interviewed even ignored the existence of the various business plans, made by the different CEOs, while they could not pledge the actual number of the subsidiary operational companies. OSE has turned out to be an expensive production for business plans, without any influence in the company’s operational and investment strategies, and the company’s day-to-day management. Thus the dominant perception among employees and managers is that the only objective the various administrations have is to serve implicit interests that contradict the effort for the company’s modernisation.

“...in our organisation you do not understand why business plans are assigned... in other words, the Minister may have called the director and told him to assign this project to the said company...” (Interview PI, 03 October 2006).

Failing accountabilities, which is the topic of the subsequent discussion, aims to describe the effects upon organisational action from the lack of tensions in the day-to-day organisational action outcome of the ability of the CEO to dominate the inner organisational context.

7.3. Failing accountabilities

The problems in cooperation and coordination between OSE and ERGOSE, and the emergent conflicts between the management of the two companies in the period 1998-2001 (discussed in the previous chapter) should have been indicative of the potential difficulties and conflicts in the relationship between the parent company OSE and its subsidiaries. When one of the CEOs of one of the newly established subsidiaries was asked about the actual target of the reforms, the researcher was told¹ that the OSE and the Ministry of Transport were hoping

¹ Interview KF, 12 October 2006

that the reforms would generate more transparency in decision making, owing to the competitive relationships and tensions between the different managing directors. However, when the researcher asked whether she would be mainly accountable for her actions to the Minister of Transport or to the CEO, and the BoD of the parent company, OSE, she unhesitatingly answered that she would be accountable to the Minister. In the intended accountability relationship, the dominant figure remains the Minister of Transport – an outcome contradictory to the intentions of the European Directive which aims for the company's managerial independence from the Greek Government. Moreover, it was contradictory to the objectives that OSE's disaggregation came to serve.

Furthermore, OSE's capability and authority of coordinating and controlling the business action of subsidiaries is limited. It is significant that at least until the end of 2007, a year after the subsidiary companies were established¹, no contracts had been signed between the parent company and the subsidiaries. The existence of the contracts was a precondition for the efficient operation and the transparency in the financial transactions between them. For example, through contracts, the financial relationships for the use of the rail network which is owned by OSE, managed by EDISY and used by TRAINAOSE, would have been defined. However, OSE could not formulate an agreement commonly accepted by the subsidiaries that would have defined, for example, the tariffs that EDISY would charge TRAINAOSE for the use of the infrastructure, and the allocation of responsibilities and costs between the two corporations in the case of a rail accident. An additional explanation of why contracts had not been agreed and signed between the companies can be identified with the fact that the OSE's segregation had not yet been finalised. While the changes were taking place in 2006, the new CEO (2005-2007), in an effort to rationalise the business venture (planned by the 2002-2005 CEO) in terms of cost (as one of the consultants suggested), had already decided to re-merge the subsidiary companies and to formulate a holding company with a maximum of two or three subsidiaries.

¹ In 2006

“...we should note that the venture is not finalised and we are expecting new changes in the near future with the merging of subsidiary companies...” (Interview¹, 25 August 2006; trans.)

The reality is that OSE was not ready for the business disaggregation between the management of the rail infrastructure and the rail operator. Owing to the continuous changes of administrator managers, and the subsequent changes in the company’s operational strategies, the company never managed to complete its operational and managerial modernisation, which would have secured the efficient application of its business segregation, as had been foreseen with the previous business plan (1998-2002).

“One morning, while we had missed all deadlines, the organisation’s management at the time proceeded with its business separation without any study or plan. The notorious companies were established; then they saw that this could not happen and finally they set up five, six companies...” (Interview DK, 29 April 2008).

In 2001, a total² of €90 million was allocated from the C’ CSF³ for the business actions concerning the reorganisation of OSE and the implementation of its business plan⁴. The operational programme was divided in two main actions: “Operational Reorganisation and Development of OSE⁵” and “Development of OSE Information Technology⁶ Systems”. Roughly €30 million were allocated to the company’s reorganisation and €60 million to the development of information technology systems. According to a 2001 internal note (informing the CEO of the period 2001-2002, about the new conditions created by the first

¹ It was provided by a member of the management consultant team.

² The total financial resources made available from the C’ CSF and the National budget were almost €2 billion. Additional to the €90 million available for the company’s operational and managerial modernisation, almost €1.8 billion were spent on the modernisation and the development of the company’s railway infrastructure (upgrading the rail axis, signalling, remote management installations equipment), and €190 million on the creation of the Athens suburban railway.

³ The Operational Programme ‘Railways, Airports, Public Transport’ falls within the sectoral programmes of the 3rd CSF for the programming period 2000-2006. The entire budget of the OP is co-financed by the European Regional Development Fund and amounts to €2,937,600,380. Total Public Expenditure amounts to €2,687,600,380 (SAAS, 2001: 1).

⁴ The actions incorporated in the strategic and operational plans made started to be formulated in 1995, financed by the B’ CSF (it was discussed in the previous chapter)

⁵ For this first period until 2003, the actions concerned the completion of the accounting segregation.

⁶ Computerisation of spare parts; computerised recording of passenger operations; computerised recording and monitoring of freight operations; computerisation of financial management; railway line monitored electronically

rail package), the company's general managers suggested to the CEO of the period that the allocated funds with the third CSF be used in order for the company to complete the actions foreseen by the 1998-2002 operational plan, and to implement fully the accounting segregation between business activities. Up to that point, OSE could only partially satisfy the requirements of the European Directives. The company could only report separate profit and loss accounts for the activities of the infrastructure management and the service operators. It could not, however, report separate balance-sheets, as the European Directive 2001/12 requires, while the allocation of operating costs and expenses in the various business activities was based on conventions that did not satisfy the European Commission's demand for financial transparency concerning the financial subsidies provided to freight and passenger operators. The meaning in the general managers' suggestions was that the different operational and managerial activities and synergies should be effectively separated, by establishing the business units and the efficient allocation of the operating and financing costs to the different business units to be succeeded. As the following quotation indicates (trans.), the accounting segregation was the precondition either for the company's separation into organisational sections within the same business, or for its segregation into independent businesses, a strategy which, as the following quotation makes apparent, had not yet been finalised.

“...even though Directive 2001/12 gave the possibility of not having to create separate businesses, nevertheless the requirement of keeping and publishing separate financial balance sheets indirectly imposes such a solution... what must be done essentially is to liquidate the existing company and then set up separate businesses or separate organisational sections within the same business...”(OSE, 2001).

However, in the period 2002-2005, the company's management cancelled out all the strategies related to the company's operational and managerial modernisation. Apart from the shift in the company's operational strategy from the accounting segregation to the business one, and the foundation of the holding company, all the formulated actions concerning the company's information technologies (economic resource planning systems, and costing systems, included) ceased. The reason the management of the period articulated, in order to justify to the European Committee the need for change in the company's operational strategy, was that any plans made by the previous administrations were unofficial, whilst no classified

documents in the organisation, could be identified in order for the new administration to apply efficiently the strategies formulated by the previous management (period 1998-2002).

Being, however, a prominent member of the previous two administrations, (since 1994 he had been the general manager of the rail infrastructure division), the CEO raised questions over his stance towards the European Committee and the organisation. When I discussed the issue with one of the general managers in the period 2000-2002, the instant reaction was: “He is lying...” (telephone conversation ML, 16 January 2009). Moreover, as the manager responsible in the period 1999-2001 for the planning of the so-called “Information Technology Master Plan” indicated, not only had the company made the necessary plans for the application of information technology systems (accounting systems included), but it was also ready, before the end of 2001, to make the necessary tenders. That means that they had prepared the descriptions of the conditions, the terms and the targets that the information systems provided would be required to meet.

“The project plans were structured in 2001 at formal declaration level, which means that the specifications were drawn up and projects were to be proclaimed. The new management, coming as it did from the Greek Railways Company, [in the sense that the 2003-2006 CEO, the one he is referred to, as well as the general managers, OSE’s employees] were aware of the completion of the project plans; however, on grounds of expediency, he throws everything away. This decision has had disastrous results with the costs [of drawing the Information Technology master plan] coming up to 3 million Euros instead of 56 million dr.’[approximately 164,000 Euros]... the consultant joined in 2005 [the European Committee demands that all the project plans and announcements must be done in cooperation with a consultant, who provides the know-how], and since then nothing has happened. As a result, all information systems and subsystems that exist today are failing...” (Interview THP, 28 August 2006)

Since 1985, the computerisation of the finance and accounting departments as well as the application of cost models have constituted a primary objective for all the administrations and thus, for all the business plans made. In contrast, however, to what has been planned, all the formulated strategies and actions have remained inactive. For example, while recording financial transactions, keeping and analysing financial records are still problematic for the organisation these are the only functions that the accounting department can perform satisfactorily. The reason is that bookkeeping, along with the records of employees’ and

managers' payroll, are the only functions supported by an information technology application, which however, cannot support the analysis and interpretation of the annual balance-sheet. Furthermore, OSE has not yet managed to develop a cost model that would permit the company's management to assess and evaluate information related to the cost generating activities¹, and moreover, to treat departments and business units as cost and profit centres in order to formulate a reliable and competitive pricing policy, which has to be said it is not the company administration's responsibility. Tariffs for the transportation of goods and tickets prices for the transportation of passengers are responsibilities that remained with the Minister of Transport.

Cash-flow management is fragmented with the management of long-term and short-term interest bearing liabilities, as well as the leasing agreements to be managed and monitored with the use of Excel files which each responsible department has developed and updates independently from the other departments. The relevant directorate for the management of the operating supplies and material still cannot monitor the implementation of contracts, and the payments made and required to be made to suppliers, with negative effects on cash-flow management. Any effort for the application of modern managerial systems that would make operational planning and action more efficient has failed. The organisation still does not have a fully developed system of booking seats and issuing tickets and, as a consequence, the company has limited capacity to offer advanced customer services, and - more important - to monitor and control the revenue generated from its main operating activity, namely the provision of rail services to passengers and freight customers.

“...how can you make an organisation customer-centred when you don't develop the necessary policies for customer services? For example, the only goal is to reduce journey times, but these times do not include waiting times for the issuing of tickets or for accessing the station and points of ticket sales, which do not exist. We had bought thermal printers which we did not use because the printing paper was too expensive.

¹ While the modernisation of the rail track gave the opportunity to the organisation to increase its market share the inability of the organisation to control the generated costs has resulted in order the increase in the transportation work to increase disproportionately operating costs in relation to operating revenues. In 2005 every additional €1 of operating revenue costs to the company €7.5 (in that amount the costs that should had been covered by the Greek State are also included) (Mourmouris, 2010) It is apparent that the administrations have done nothing to control operating expenses.

They do not understand, however, that we would make up for these expenses by reducing the time required to serve a client, who would not have to wait 1min 43 sec...” (Interview LN¹, 27 June 2006).

The lack of progress in the modernisation of the company’s managerial and operational control systems also characterise the implementation of the company’s investment plan (which is implemented and monitored by ERGOSE). Although a large amount of National and European funds² has been dedicated for the development of the railway in Greece, and especially for the modernisation of the railway axis between Patrai, Athens and Thessaloniki (see the rail map), where transportation business activity is strongest, and where the interest of the European Commission is (due to the fact that it is part of the high-speed Trans-European network), OSE still has significant operational weaknesses and limited business capabilities that makes it impossible for the company to reduce the per unit cost and to increase its operating revenue. It is significant that in all the reports made to the responsible Managing Authority for the progression of the work financed by the B’ and the C’ CSF, all the rail projects implemented by OSE and ERGOSE are failing to make progress and, as a result, a large amount of financial resources made available by the European Union was lost and transferred to other investment activities (SAAS, 2006).

“Strategic and operational planning administration is non-existent. The business plans might be drawn, but not carried out. For instance, projects which were scheduled for 2003 by the relevant investment plan are still included in the 2006 investment plan... there is work scheduled by the departments which have never been implemented and this is why the competent departments have never taken into consideration that whatever is planned should be implemented as well” (Interview TK³, 25 August 2006).

The entire project concerning the modernisation of the rail infrastructure and superstructure, financed by the A’, B’ and C’ CSF, has failed to be implemented efficiently and as a result the company has fallen behind the set, time and cost targets agreed with the European Committee and the Greek Government (Gioti, 29 January 2010). The track has not yet been electrified, while no modern systems for the administration and control of rail traffic have

¹ Operational manager responsible for traffic control

² At the end of 2013 the allocated European and National financial resources are expected to reach the €8 billion (Gioti, 29 January 2010).

³ Manager responsible for the strategic and operational planning administration

been fully applied. Indicative of the company's limited capabilities in the administration of its investment plan is the project of the construction of the Athens suburban railway which was supposed to have been finished by 2004, and is still under construction (trans:):

“...the target was to have an electric suburban railway by the Olympics [2004]. Years passed before the construction methods and the contractor were decided, and the project was submitted half-ready at the last minute. This clearly demonstrates our weakness, because we had everything at our disposal, including the necessary funds, but we did not make it. The French and the Germans would do it in 2.5 years. A project which should have been completed in 4 years, even in conditions of typical Greek relaxed attitude, is still not finished” (Interview TD¹, 13 July 2006)

While OSE's and ERGAOSE's relevant departments continue to produce, the information related to the progression of the performance indicators², required by the European Committee, the Greek Government and the executive management of OSE and ERGAOSE seem unwilling or indifferent to control the cost of the implemented projects. Significant is that ERGAOSE has not managed get to develop a cost accounting system monitoring the implemented projects. They prepare information for the European Committee but it is obvious that they do not use it in order to monitor in a systematic way the cost efficiency of the implemented projects.

“Efficiency? I don't think it is of interest to any responsible party. During the last decade in Greece, with the Community Support Frameworks and the Olympic Games, we have lost our sense of monitoring project costs. I have experienced this personally and it may be one of the causes of the fact that I am here talking to you instead of being in my office... Those on the part of the OSE who insisted on monitoring project costs are here now, talking and drinking coffee” (Interview PI, 03 October 2006)

Significant to the disappointment and frustration that some of the managers have with the status of the present organisational relationships, and their effects on the patterns of operational action is the following quotation, provided by one of the research participants. According to his opinion the military type of organisation that had defined the culture of the rail industry in early years³ of its establishment (and which also characterised OSE in its

¹ Senior manager, member of the management team which designed and applied business segregation

² See Chapter 6, section 6.2.1.

³ See Chapter 5, section 5.2.

early years), and which was based on restrictive and oppressive relationships between superordinates and subordinates, was the appropriate one for the efficient and effective operational and administrative control of OSE.

“22 years ago, when I was first appointed to the railway company, OSE had the appropriate organisational culture, based on a military type of organisation. I am glad to say that I had the opportunity to experience that [the organisation of operational and administrative relationships according to military standards]. Nowadays however, something like that does not exist anymore, since organisational relationships do not function according to hierarchical norms, but rather according to personal relationships [without meritocracy].” (Interview XD, 26 September 2006).

In order for the company's various administrations and the Ministry of Transport to conceal the failures to achieve the implementation of the investment plans, the continued reductions in the time-target of the Athens-Thessaloniki route was used as a performance indicator and was communicated to the to create the perception that apart from any delays and wrong doings there is a slow, but steady progress in the modernisation of the Greek railway industry. The following section describes the effort of the company's management to manipulate the pressure exercised by the European Community, and the Greek Society for the provision of advanced, customer-orientated transport services, and to gain the necessary legitimacy in order to secure the necessary financial resources for the implementation of the company's operating and investment projects.

7.3.1. Performance measurements, manipulation and legitimacy

The reduction in the journey time, mainly on the Athens-Thessaloniki route, where the main commercial activity exists, constitutes a key performance indicator not only for evaluating the company's performance, but also for evaluating managerial performance. This is why it was included in the terms and conditions of the only managerial contract signed with the CEO of the period 1998-2002, and moreover, it has been inextricably linked to the progress of modernising the railway infrastructure. The reduction of the journey time in that particular service however, has reached its operating limits because the progress of work on rail infrastructure is very slow, and does not justify such a reduction in journey time, an opinion shared by many managers and implied in the following quotation (trans.):

“...reducing journey time [Athens-Thessaloniki] is just a showcase which every management tried to achieve and every Ministry tried to pass. This is because it is a slogan for the people. We reduced time from 8 hours to 6, from 6 to 4 h 30min and to 4h 15min. It shows that we are doing something, something is happening. It is also our best service. But it has reached its limits...” (Interview TB, 14 July 2006).

The technical systems are inadequate for the train speeds necessary to reach the time target. According to the 1998-2002 operational plan, in order for trains to reach Thessaloniki from Athens in four hours and twenty minutes (it was estimated that this was the break-even point in order for the particular service to become profitable), the completion of certain work in the mountainous parts of the axis was regarded as a precondition. In 2005, when trains reached Thessaloniki in four hours and fifteen minutes, the required work was still incomplete.

“In 1978 I was hired as a civil engineer in order to work in the project concerning the development of the railway infrastructure between Athens and Thessaloniki. Thirty years have been passed since then whilst twenty years more will be needed [lets hope he exaggerates] in order these works to be completed. In contrast the works concerning the rail axis between Barcelona and Madrid which have the same length like the one between Athens to Thessaloniki lasted only three years” (Interview TZK 13 July 2006).

Time reduction is seen as a target set by the management in order to persuade the public and the European Committee that the modernisation of the railway industry is progressing, despite difficulties and slowdowns.

“Managements in general lack vision – how can appointed managements have vision? ... of what sort? 10-year vision? It will not be here in 10 years. So when all these administrators lack vision, they are ceaselessly trying to sell substitutes for vision to the public opinion and to their bosses: look who I am, I will reduce the train journey to Thessaloniki to 4h 15min [he becomes sarcastic]” (Interview CH, 12 September 2006).

However, time targets cannot be perceived as being isolated from other rules, regulations and functions that define the nexus of interrelationships for the provision of cost efficient and, above all, safe rail transport services. Train traffic is regulated by certain rules that define for example, train speed at certain parts of the rail route or the antecedence between itineraries. Moreover, traffic regulations define the responsibilities of all those employees involved in order to secure the safe journey of an itinerary (engine drivers, train personnel, transport controllers, points men etc.). However, the existing traffic regulations are old and they do not

meet the new operational conditions created by the investments in infrastructure and train engines. The task of changing the regulations demands a great amount of time and human resources while there is not an adequate number of personnel to undertake it. Furthermore, the formulation of new traffic regulations has become more complicated owing to the fact that the modernisation of the infrastructure and the construction of double rail-track have not yet been completed.

For that reason, the CEOs issued circular letters so that the management would allow engine drivers to increase speed. However, circular letters can only introduce amendments to traffic regulations for a certain limited time period, so that the necessary changes in the rules will take place according to the developments in the work on the infrastructure and the relevant operating subsystems. As the aforementioned manager further states, circular letters are the outcome of decisions made by CEOs, and for that reason they do not necessarily express the needs and capabilities of the operational system. This is why the constant reduction of the time objective, as the following quotation indicates, is perceived as a self-interest target imposed by each CEO, ignoring the actual capacity of the operational system and its ability to accommodate high speeds in order to reach the time targets set, and moreover, the suggestions made by the relevant directorate. A conclusion is aptly indicated in the coming quotation provided by the manager responsible for managing and time scheduling the itineraries, who aims to exemplify the self-interest way in which the CEOs act (trans.):

“He [the CEO] will achieve the reduction of journey time, he [the CEO] will threaten, he [the CEO] will pay ransom [he means bonuses to the engine drivers], he will make it [the CEO will manage to reach the time objective]. Yes, but you tell him [the subordinate to the CEO] that in the way these trains are going to reach Thessaloniki in 4h 15min there will be accidents. Yes, however, accidents have a strong “stochastic character”, they do not have a “determinist relation” [a cause and effect relationship], that is, accidents will not definitely occur and even if they do, this will not definitely happen on the first day that these speeds will be introduced. No, accidents will happen one day! If we are lucky they may happen after we have left office, so they will not necessarily be linked to the policy that led to the reduction of time. It will be the fault of a man, so let’s hang him [while responsible for the accident is the particular policy designed and implemented by the company’s senior managers the allocation of responsibility is personalised usually at lower ranking employees and managers of the operational divisions]. But the rail truck materials will not be strong enough, it will be ruined well, the road materials will not be ruined in two weeks. In two years, maybe

three. It will last with this performance, then performance will drop, but I will not be part of the management then. These are the results of the lack of a concrete business policy introduced by managers... (Interview CH, 12 September 2006).

The policy that has been followed by the successive administrators tends to destabilise the operational system, making it unreliable and unpredictable. The period since 2005 has been characterised by serious accidents. While no concrete conclusions can be reached by the existing records, the general perception is that these accidents have been the outcome of the policy described. In support of that argument is the opinion offered by one of employees' representatives according to which, after the Second World War the Hellenic Railways had experienced a single major accident, in 1985 that caused the death of two people. In the last two years, as he mentioned, the TRAINAOSE (the rail operator) has experienced 27 rail accidents that caused the death of four people (Interview VA, 20 February 2009). As an employee further mentions (trans:).

“...old safety regulations had a philosophy, they may have been outdated considering the technology we have today, but they were wisely structured. In order for an accident to happen, there has to be some sort of bypassing of the regulations. We maintain the regulations, we modernise the safety control systems, we increase the speed and we submit circular letters concerning these regulations. That is, first we make essential improvements and then we adjust the regulations... I feel a lump in my throat and I seriously doubt whether the existing mechanism is ready to deal with a crisis. We used to be very effective, we've always had accidents, damages, we've always had an ageing railway network but, as I've already mentioned, there was a certain formalism with regard to safety and crisis management. I have had to face accidents primarily for 12-13 years; I see that we are facing a serious problem with the increase in speed. When you don't have a reliable system of safety and infrastructure, you reduce speed in order to increase reaction time...” (Interview RD, 12 July 2006).

It is indicative of the organisational conditions that no appropriate study of the circumstances and factors that led to a particular accident has taken place. The most bizarre and awkward aspect in operational action, however, is that while it is a Greek government's obligation emanating from the European Directive 2001/13, no independent committee has so far, been charged with the responsibility of investigating the conditions under which an accident has occurred. As a result, the OSE and its management are, at the same time, the controller and the one under control.

“...what the organisation is lacking is a permanent, official and serious body that controls safety...” (Interview CI, 12 September 2006).

To recapitulate, the use of time objectives as the main operational target within the existing configurations of power has proved to be a useful tool in the hands of each executive manager, used to ‘window dress’ any operating and investment failures. At the same time, the way in which responsibility is allocated at critical moments of the organisational operation, such as in the case of accidents, has been used so that the system’s operational deficits would remain unchallenged. As the following quotation taken from a newspaper article indicates (trans.):

“The employees of the Greek Railways Company stress the importance of the fact that yesterday (12 July 2007) the first head-on train crash occurred since 1985 and they very much fear that a second crash is just a matter of time... the management of the Greek Railways Company are trying to conceal their embarrassment and find answers... The engine-drivers and the station-masters considered responsible for the accident were suspended, and the committee of the organisation will examine the cause of the accident. The competent authorities have already attributed, since yesterday, the cause of the accident to human error and avoided to mention the shortcomings of the technical system which are of vital importance” (Moumouris, 2007).

With the establishment of the holding company, the operating conditions and patterns of organisational action for the employees in these companies have become more complex. The existence of a single company secured the efficient operation of certain parameters of traffic control and the simplicity in the relationships between the various departments and organisational roles, and made sure that certain rules existed, which are easy to understand and be applied by employees.

“I will not talk about cases that I have not examined. However, having the experience of all these years and having received certain pieces of information, I can conclude on the reasons an accident occurred. It is because of the conflicting activities. We had a single mechanism, single service exploitation, a single system in terms of customers and goods, and all structures belonged to a single directorate. Now all these belong to three different general directorates, whose activities conflict with each other.” (Interview RD, 12 July 2006).

The most important aspect in the OSE's operating activity, however, were the personal relationships that have been developed between the members of the organisational system. The patterns of interrelationship that have evolved during all these years have given to employees and managers the ability through personal communication to overcome some - of the many the truth is - inefficiencies that the operating system has. As one independent management consultant said (trans.):

“It is the first time that I see in a state-owned organisation that an engine driver can call, on his cell phone, the general director responsible, and to inform him about a problem that he faces while he performs his duties” (Interview, 9 October 2006).

The establishment of the new companies introduced complex and conflicting relationships without the necessary technological advancements needed for their management, while the personnel has not managed yet to endorse in practice the way that the new relationships are controlled and the responsibilities have been allocated. In addition, it has started to create antagonistic relationships between the employees and managers of the various subsidiaries, with diluting effects upon the common identity and the patterns of interpersonal communication, established over all these years operating under one company. As a consequence, as the following quotation indicates, any form of managerial and operational control system in existence has collapsed.

“At no management level are decision making, operational action and management efficiency controlled. Even the existing control mechanisms, the embryonic ones, have collapsed... nobody knows what is going on” (Interview LS, 10 July 2007).

The current state of affairs in the Hellenic Railway Organisation is the outcome of what was defined in Chapter 3, as the unintended consequences of the organisational action: one outcome of the fact that organisational roles are not interrelated with any form of collective planning and managerial procedures. Business plans made have no actual role to play in the formulation of the company's business objectives, or in the formulation and control of business strategies towards the successful implementation of the business objectives. However, while responsibilities for the company's segregation and its effects tend to be assigned to the 2002-2005 management team, and to be personalised to the CEO of the

period, as well as to the management teams that followed the 2002-2005 CEO, the analysis will argue that the crisis is holistic, and it concerns the way in which the systematic relationships have been functioning, not only within the context of the organisation, but in addition, between the organisational context, and the outer environment. The decision for the disaggregation of EDICY from TRAINAOSE is the outcome of that entire crisis.

7.4. Discussion

The key issue discussed in the present chapter is the effect on the financial and operational aspects of business actions from the powerlessness of organisational actors to influence the structuration process of the patterns of systematic relationships that have been influencing organisational action, the outcome of their inability to maintain a level of managerial independence from the coercive influence of the institutional environment. For that reason, the present analysis argues that the disaggregation between EDISY and TRAINAOSE was the outcome of the desperation of organisational actors, and the company's executive management of the time to establish their competence and to gain the trust of the institutional environment concerning the efficient use of the allocated European and National financial resources. Thus, in contradiction to the opinion expressed by many managers and employees who hold the CEO of the period 2002-2005 responsible for the company's segregation, the present analysis will adopt a distinct approach in order to explain the reasons behind the particular decision.

For the present analysis, the decision for the company's disaggregation has started implicitly to be formulated among managers and employees as a potential form of business organisation, long before it was actually realised, with the post-2003 business plans. As already mentioned in the first section of this chapter, the company's disaggregation into separate businesses began to be the subject of discussion from the early 1990s, as a result of the European Directive 91/440 (discussed in Chapter 6). The demand of the European Committee for the accounting segregation of the state-owned rail organisations in Europe started to formulate the perception among the company's employees and managers that the potential segregation of the OSE may result in the more efficient use of the company's assets.

However, owing to the fear and the distrust of the employees towards the government's intentions that the potential disaggregation between the railway infrastructure manager and the operating business units might result in the abolishment of the company's public character (discussed in Chapter 5), any discussions concerning the company's segregation into independent businesses concerned only secondary activities like those of the provision of logistic services and the management of the company's logistic centres, the management of the company's communication system (in order to provide telecommunication services to the public), or the development of the significant real estate property of the OSE. This is why with the 2003-2007 business plan the management proposed to the Ministry of Transport the establishment of eight subsidiary companies. In reality, the company's management with the 2003-2007 business plan was reproducing the perception dominant in the organisation that better and more efficient exploitation of the OSE's assets can contribute to the company's profitability. It is significant that, with the 2003-2007 business plan, the management of the period was stating that some of the subsidiaries in the years to come (they did not define in how many years) could become profitable, and therefore they could be listed in the Athens Stock Exchange. However, as the manager responsible for the company's strategic planning quoted (trans.):

“On occasion, the business plans express desires or necessities...” (Interview VT, 14 July 2006).

The desire which the above manager referred to is for the management to turn the organisation into a financial and operationally efficient corporation. However, in order for the management to do that, it was necessary to segregate the two main operating activities: the management of the infrastructure and the provision of rail services. As discussed in Chapter 4¹, through the segregation, the rail operator the OSE would have been in position to develop the necessary operational and business strategies, and to evaluate its financial performance without having to bear the cost of maintaining and modernising the railway infrastructure. While the decision of the way that segregation will be implemented belongs to the national governments and members of the European Union, the analysis in Chapter 4 argued that the demand imposed by the European Directives for the accounting segregation

¹ See section 4.4.

targets to impose on the company the business separation between the rail infrastructure business unit and the rail service one. For that reason, nevertheless, it had adopted the company's accounting segregation as the most efficient operational strategy; planning relating to the company's business disaggregation between the management of the infrastructure and the provision of rail services for passengers and freight transport began, with the 1998-2002 business plan. This is why, as the analysis in the previous chapter indicated, the company was vertically organised into business units, with independent managerial and operational control procedures.

Whereas the need of the CEO of the period (1998-2002) to control and coordinate organisational action and the company's operating deficit resulted in the decision for the company's accounting segregation, chapter six shows that the aim of the CEO was to designate those managers competent to perform the company's business segregation. Hence, the argument made in chapter six was that the company's business disaggregation was postponed after 2002, when the modernisation of the company's managerial and operational control systems would have been completed. This is why the first stage towards the company's complete separation with the 2003-2005, business plan was implemented with the establishment of two business units: one responsible for the provision of rail services, and the other for the management of the rail infrastructure. In 2006, both these business units started operating as independent corporations, EDISY and TRAINAOSE, under the parent company OSE. The reality is that the European Directives constitute a strict framework of organisational action that dominates the formulation of the rail strategy, not only because of the explicit requirements enforced by them, but mainly because of the implicit aims pursued by the European Committee, which in reality aims to endorse the privatisation of the state-owned rail operators¹. Nevertheless, their articulation by the company's CEO cannot provide an adequate explanation for the shift in the company's business strategy, from accounting disaggregation to business segregation between the rail infrastructure manager and the service operator.

¹ See the analysis made in Chapter 4, section 4.3.

The multiple, and diverse business models¹ existing in the European rail industry suggest that each country adopts a model of reorganisation influenced by its national priorities, and the particular social and economic circumstances that it faces. Thus, it is suggested that the introduced reforms in the European rail industry influence, and become influenced by the operational and financial conditions of the national rail companies, the corporate and professional culture they have developed, and the perceived social and economic role they play. This is why in the period 1998-2001, analysed in the previous chapter, the materialistic conditions characterising the OSE and the intention of the then CEO to control organisational action and its outcomes, led to the company's accounting disaggregation.

“...there is no specific model in Europe. The situations are considered within the framework of organisational approaches which result from various and, sometimes, contradictory political policies; the above-mentioned policies either meet the marginal requirements of the European guidelines or move towards meeting the most demanding ones” (Interview BA, 26 September 2006).

Business disaggregation and the establishment of the holding company were presented as the ultimate solution for improving the prospects of a company that has huge financial deficits, and which has been unable to efficiently modernise its network, and to secure the rail operator's commercial and financial prosperity and, moreover, to plan and control the investment process efficiently. As in the case of the performance objective of the time target of the Athens-Thessaloniki itinerary, the company's disaggregation was a show-case aiming to secure the trust of the Greek people that something was happening towards the company's modernisation.

“....on the one hand there is the Ministry which turns a blind eye to the journalists criticising the railway employees for being inefficient and holding them responsible for the shortages of the organisation and, on the other hand, turns a blind eye to us, saying that, owing to the present state of affairs, we are not answerable for these shortages. Of course whatever he says [he means the Minister] he says it for public relation purposes.

¹ Complete separation in private companies (Great Britain); holding company (Germany and Italy); infrastructure managers and railway companies set up as separate companies with independent executives (Denmark, Finland, the Netherlands, Sweden, Portugal and Norway); hybrids where railway infrastructure financing is separated but infrastructure and operating activities remain under one entity (France, Austria); separate division within an integrated company (Belgium, Greece, Ireland, Luxembourg) (NERA, 2004).

It is a schizophrenic situation. The image of the average trainman is that of the person who eats away the money of the Greek people and this is not fair. It is also thought that if there were no shortages of the rail industry, the state budget would be much better. You can handle it by establishing two companies: the infrastructure and the operation one. In this way you will be able to control service quality, while you will be free [OSE] from the blame concerning shortcomings in the management of the rail infrastructure” (Interview TB, 14 July 2006).

The fact that the Ministry of Transport and the company’s management were incapable of positioning the company within the new environment, in the way foreseen by the European Directives, led them to adopt an accounting strategy that aimed to transfer all operating costs to the state (which however imposes on the organisation to borrow funds in order to finance its operating costs and interest expenses), and to enable the operator and the infrastructure manager to show profits, or at least to have balanced profit and loss accounts as the first rail packages demand. The only rationale that can be identified behind the implemented business venture, and the only safe conclusion that can be drawn is that the creation of the holding company was intended to free the newly established rail operator TRAINAOSE from operating and non-operating costs that it could not finance from its operating activities, as the European Committee demanded with the first and the second rail packages. This is why the parent company OSE owns all the assets that the subsidiaries exploit for the purposes of their businesses. In addition, employees and managers remain in the parent company, and they are transferred under the status of detachment to the subsidiary companies. However, the cost that burden the subsidiaries would not be that of the managers’/employees’ wages (the level of which is defined by collective agreements), but rather it will be the cost defined by the conditions existing in the market. The difference in the wage would be paid by OSE.

“As far as the personnel are concerned, the management of the Greek Railways Company followed the German model according to which the entire personnel belongs to a separate company and can be detached to the subsidiary companies on the market value basis, which will be defined by the conditions existing in the market and not on the basis of wage claims” (Source: Greek Railways Company).

It becomes apparent that the only effort made with the company’s disaggregation was to manipulate the pressure exercised by the European Commission and the Greek people for the company’s inability to apply its modernisation project efficiently within the time, and cost

targets set with the business plans, and to use the financial resources provided for that purpose effectively. Moreover, the company's disaggregation intended to provide indirect financial subsidies to the new companies in an effort to overcome the demand imposed by the European Directives for a competitive financial and managerially independent state-owned rail organisation.

It is important to conclude that, with the decision for the company's segregation and the establishment of the holding company, no clear boundaries can be drawn in the relationship between the company's management and the leadership of the Ministry of Transport. Consequently, the manipulation of the expectations of the Greek people and the European Union cannot be seen as the outcome of the resistance of the inner organisational context towards to the imposed expectations, but rather as the outcome of the contradictions that characterise the relationship of the two interrelated environments - Greek institutional environment with the European one, - and from the way that these contradictions are influenced by the various institutional and non-institutional interests that these environments come to serve.

It is accepted that organisational and legal reforms as these are imposed by the European Directives are not sufficient to provide the targeted efficiency and quality in the European rail industry. The only way the changes introduced by the European Committee, can have a positive result is through, the provision of sufficient financing by the European National Governments (adequate compensation for Public Services Obligations and sufficient investment in rail infrastructure) for the development of the rail industry in Europe. However, among the 27 European countries, Greece has the lowest annual expenditures for maintaining and managing the rail infrastructure, and it allocates financial resources for investments on railway infrastructure below the European average amount dedicated by the rest European countries (Ludewig, 2010). OSE has the burden of all the cost of the modernisation of the rail infrastructure that the Greek State could not take or the set development priorities, and the economic interests served have not allowed it to take. Thus the only way for OSE to become an efficient organisation is for the Greek Government to dedicate more financial resources for the development of the Greek rail industry and the only

way to do that is to stop giving priority to the development of the country's road network (as discussed in Chapter 5, this is a policy started in 1950s). Still an important question emerges concerning the objective of the European Committee; since the interference of the National States in the development of the European rail industry is a precondition for its efficient development is it positive that deregulation and competition will have positive effects?

7.5. Conclusion

The present chapter describes the conditions governing the disaggregation of OSE into a holding company. More particularly, the present chapter describes the patterns of interrelationship between the company's administrator managers, their subordinates, the Greek Government and the European Union, and aims to understand the way in which the formulated patterns of interrelationship attempted to delimit individual behaviour, and to impose the company's business disaggregation between the railway infrastructure manager and the service operator, an operational strategy that is seen as irrational by organisational managers and employees.

Even though the company's disaggregation was the outcome of a decision received between the Minister of Transport and the company's CEO in the period 2002-2005, the analysis argues that, in reality, it started to be formulated implicitly long before it was planned and imposed with the 2003-2007 business plan. It was the outcome of the incompetence of the organisational system to reinvent and modernise its operational and administrative procedures according to the legitimate model of the customer-orientated and profit-making business organisation imposed by the European Directives concerning the rail industry. The analysis supports the belief that the company's separation is used by the company's management and the Greek Government in order to manipulate the pressure by Greek public opinion and the European Committee for the company's inability to use the operational funds allocated to it effectively and productively.

The company's failure to apply its modernisation project efficiently was the outcome of certain materialistic conditions that restricted the company's ability to maintain a level of independence from the coercive influence of the institutional environment. The conclusion

that the formulated business plans made by the successive administrations had no actual role to play in the company's day-to-day management, and in influencing the patterns of organisational action, is the outcome of the fact that no definite responsibilities between the role of the company's managing director and the ministry of transport can be identified.

8. Chapter – Concluding remarks

8.1. The objectives of the research

The transformation in the patterns of organisational action and accountability from the application of strategic and operational plans, as formal accountability mechanisms, aiming at making transparent the relationship between the management of the Hellenic Railway Organisation (OSE) and the Greek Government, in addition to securing the company's managerial independence from the Greek Government, and to promote objectivity in the evaluation of managerial performance, is the theme of the present study. Following Giddens' approach to Structuration Theory (Giddens, 1979; 2002), an account was presented on the conditions and power relations that have influenced the structuration process in the patterns of organisational integration and interaction in the OSE, from the application of business plans and performance objectives.

More particularly the objectives of the research were:

1. To depict the way in which strategic and operational plans implicated in the ongoing organisational action in the OSE, and the formulation of meaningful relationships between the appointed administrative managers, their subordinate managers and employees, and between the inner organisational context and the outer environment, namely the Greek Government and the European Union became possible;
2. To depict the power relations between the various collectives in the process of the formulation of operational strategies, and to conceptualise the ability of administrative management to control and coordinate managerial and operational activities in the OSE, using the operational plans and operational objectives for planning and performance measurement purposes.

8.2. The importance of the research

Reforms underlined by the managerial accountability administrative model were introduced in the Greek public sector in 1996 with law 2414, aiming at the structural reformation of the state-owned enterprises in Greece. While contradictory evidence exists over the efficiency of managerial accountability reform in the various countries in which they have been applied,

the structural contradictions characterising the Greek social context make the reformation of the Greek state-owned enterprises a complicated and intensive task with an increase in conflicts. The OSE, one of the oldest Greek state-owned organisations, and, as argued in Chapter 3, the most problematic one, is seen as a case study that directly addresses the research issues. The rapidly increasing operating deficits, the inability of the OSE to realise its strategic objectives, the lack of transparency in the company's management raised the issue of the inappropriateness of the implementation of managerial accountability reforms in the Greek social context, and made OSE an important case to be studied and analysed.

8.3. Summary of the thesis and research results

Reforms in the OSE were initiated as part of the managerial accountability reform in the Greek public sector, which in turn are underlined by a global model of public administration that perceives the private sector as a more efficient model of administration than the public sector one. The Greek Government's explicit aim was to enforce the company's managerial independence and to apply performance evaluation techniques of managerial action. However, as Chapter 2 shows, while the purpose of managerial accountability reforms in Greece and elsewhere has been to address the issues of operational efficiency, economic effectiveness and transparency in the public sector, contradictory evidence exists about the model's ability to meet the conceptualised expectations (Glyn and Murphy, 1996; Newberry and Pallor, 2004).

Shifting from process control to the evaluation of results raises questions about NPM's capabilities to modernise operational procedures in state-owned organisations and to secure transparency in the use of the allocated resources (Uddin and Hopper, 2003; Ballas and Tsoukas, 2004; Newberry and Pallor, 2004). As the review of the literature in Chapter 2 shows, the Greek public sector not only faces particular difficulties in endorsing instrumental forms of accountability, but, more important, it faces difficulties in applying accounting methods for recording, analysing and disclosing financial transactions (Venieris and Cohen, 2004; Papadeas, 2008). These findings directly challenge the applicability of NPM as a model of public administration in the context of the Greek public sector, and the capacity of the applied reformation process to modernise the context of state owned enterprises.

As the present analysis argues, the conceptualised accountability relationship with the NPM model, which is based upon the faith that accounting mechanisms have the capacity to keep decision makers accountable for their decisions, fails to identify the contradictions in the ongoing organisational action emerging from the multiple and fragmented character of the accountability relationship, and, consequently, the fact that organisational contexts are not coherent and consistent (Sinclair, 1995; Goddard, 2005). The contradictions have become more complicated and intensive in social contexts, such as the Greek one, characterised by the increased influence of various interests in the formulation of public policy, and the limited experience of state-owned organisations in participative management schemes.

Thus, central to this analysis is the argument that strategic and operational plans are implicated in strategies of power that aim to marginalise inner organisational dialogue, with major effects on managerial participation and cooperation (Townley, 2003; Ribeiro and Scapens 2006). The lack of inner organisational dialogue and participation in decision making are examined as the most critical reason for business plans and the formulated objectives failing to be coupled in the ongoing managerial and operational action in state-owned organisations. The use of operational plans for accountability purposes is relevant when inner organisational actors and collectives can understand and perceive as reasonable the meanings and objectives conveyed with these, and, more important, when they have participated in the formulation of these objectives.

For that reason, the present analysis rejects the conceptualisation of accountability as a mechanistic and unidirectional relationship based upon the power of the Greek Government to use performance measurements to keep OSE's CEO accountable for his decisions and actions, and upon the CEO's power to use control and performance measurement systems to keep his subordinates employees and managers accountable for their actions. Accountability (the concept of which is discussed in Chapter 3) is seen by the present analysis as a social, and political process within which everyone is mutual accountable, based upon inner organisational dialogue and trust among the members of an organisational system (Mackintosh and Scapens, 1990; Barley and Tolbert, 1997; Dillard *et al.*, 2004).

Accountability is based upon the capacity of agents to explain the reasons for their actions at discursive and practical level. At discursive level, agents can articulate reasons over their purposes and objectives. At practical level, accountability defines what is considered as an acceptable form of action, and thus it establishes rules that define agents' behaviour, and makes it possible for them to self monitor their actions. Thus, the conceptualisation of business plans as interpretive schemes¹, norms² and facilities³ (Scapens and Mackintosh, 1996), implicated in the process of the rationalisation of the ongoing organisational action, presupposes that these are the product of a collective process: the outcome of the tensions created between the members of an organisational context, and between the members of an organisational context and their external environment, which influences the rationalisation process. For that reason, the critical issue, in the process of rationalisation of the business action in state-owned organisations, is the understanding of the formulated business plans, not as mechanisms symbolising managing directors' transformative capacities, but as normative forms of dialogue.

However, the application of managerial accountability reform is seen as an 'episode' of radical change in the organisational systems of state-owned enterprises. As argued in Chapter 2, the applied administrative model is foreign to the Greek corporate culture, the result of a multilevel process that has to be studied beyond the strict boundaries defined by the national settings within which OSE operates. The introduced "crisis" aims to redefine the patterns of organisational interaction in the Greek state-owned organisations and, consequently, the roles, norms and rules that influence the accountability relationships and define organisational action and agents' behaviour according to an administrative model dominant in the Anglo-Saxon world.

For that reason, the articulation of reasoning over the rationality of the intentions and objectives of the reorganisation becomes problematic. In that sense, the increased powers allocated to administrative managers, whose role is critical in the process of the

¹ Used in the process of planning.

² That legitimises certain strategies and objectives.

³ Used by managers in the process of managerial and operation control and in the coordination of the various department and individuals.

transformation of state-owned enterprises, results in increased conflicts and contradictions in their effort to control and coordinate organisational activities. The power of administrative managers is bounded by existing legitimate roles, established rules and values that constitute an organisation's system of accountability. Thus, as the analysis in Chapter 3 argues, the reactions against the introduced changes from the emerged inner-organisational conflicts depend on the way that the dominant role of the administrative manager realises its power. For that reason, the power of subordinates to operate as leverage to the power capabilities of super-ordinates is perceived to be critical to the formulation of accountability relationships. This is why the use of strategic and operational plans, as mechanisms of inner organisational dialogue, is seen to be contingent upon the ability of subordinates in the OSE to balance the increased powers allocated to administrative managers by the Greek Government.

The case of the European rail industry is a typical example of radical change initiated in the national settings of the member countries of the European Union. Until the early 1990s (in 1992 the UK railways were privatised), the European rail industry was managed mainly by state-owned railway corporations which had at the same time the obligation to maintain rail infrastructure, and to provide efficient, safe and time-accurate rail services. Chapter 4 aims to make explicit the influence of the European Commission upon the formulation of the railway policy in Greece, and traces the conditions and factors which influenced the reforms in the European rail industry that lean towards a single model of competing operators using a rail network managed by separate infrastructure managers.

The 'railways problem', as defined by the World Bank in 1992, is associated with the accumulation of high financial deficits by state-owned rail companies and the decline in the market share for freight and passenger transport. Defined by the neo-liberal perception about the role of the state in economic development, the World Bank perceives that the financial crisis in the rail industry is the product of national state interventions that protect rail companies from the conditions imposed by the competition in the transport industry. Opening the European railway industry to regulated competition became a priority for the European Commission. Through the segregation of state-owned companies, between service

operators¹ and rail infrastructure managers, the European Committee, explicitly aims towards the financial rationalisation of the operation of the rail companies in Europe. However, implicitly it promotes the privatisation of rail operators (Perkins, 2002).

Nevertheless, the intentions of the European Committee have faced the opposition and the reaction of the European state-owned rail companies. The multiple models of business organisation existing in the European rail industry indicate the ability of state-owned rail companies in Europe to influence the transformation process, and to resist the reforms imposed by the European Committee. The use of accounting mechanisms for measuring managerial and business performance in state-owned European rail organisations aims to create the necessary conditions that would allow the application of European policies. The accounting segregation between the two main operating activities in rail organisations - those of the provision of rail service, and the management of the rail infrastructure, - enforced by the European Directives 91/440 and 2001/12, aims to control and measure the efficient and effective use of the financial resources allocated from the European Committee and the National Governments for the investments made on rail assets. In addition, it aims to make transparent the financial relationship between the state-owned rail organisation and the National Governments. The provision of financial subsidies by the National Governments to rail organisations is seen as an illegitimate action responsible for the financial, and consequently, the managerial dependence of the state-owned organisations from the National States.

The strategy of the European Committee has been to enforce competition and to turn European rail organisations into financially sound corporations, managed not according to social and political objectives, but rather according to market-driven objectives. The effort of managers in rail organisations to meet the financial and profitability objectives set with the operational plans' upon the attainment of which the evaluation of their performance is based, is expected to make imperative the need for the business disaggregation of the European state-owned rail enterprises, between the revenue generating activities of service provision, and the cost generating activity of managing, modernising and maintaining the railway

¹ The operational division mainly concerns the provision of services to freight and passengers.

infrastructure. Privatisation is seen as the next logical step following the disaggregation of rail organisations, the outcome of the influence exercised by private competitors. Chapter 4 made apparent that the changes in the European rail industry aim to alter the norms, values and cultural elements that have been shaping action and accountability in the European rail organisations in order to enforce structural changes in the European rail industry based on privatisation and competition.

However, as discussed in Chapter 4, the unique example of privatisation in the European rail industry that took place in the UK fails to provide adequate evidence for the operational and financial efficiencies that competition and privatisation can introduce in the rail industry, at least in the European context. At the same time, state-owned rail organisations in Europe have achieved remarkable operational and technological advancements, like the creation of the Trans-European high-speed rail network that has gained the trust of the societies in which they operate over their competence to use public investments efficiently, and to provide operational efficient and customer-orientated services. As Chapter 4 concludes, the discussion over the decline of the importance of the European rail industry in the social and economic development of the national states in Europe has been transferred from their close relationship with the National Governments to the dominant patterns of economic and social relationships that give priority to those sectors of the transportation industry that maximise private investment.

The need to define the materialistic conditions and the role of the Greek State in the development of the Hellenic Rail Organisation led the present analysis to incorporate in Chapter 5 evidence from the very early stages of the development of the rail industry in Greece. That was a necessary stage in the analysis in order that the researcher could gain a grasp of the context in which managerial accountability reforms were introduced. In the first section of Chapter five, the analysis aims to depict the conditions under which state-ownership emerged in the Greek rail industry, and to indicate the role of the Greek state in the rise and decline of the Greek railways in the Greek economic and social context.

The contribution of private companies in the development of a technologically advanced network, and the provision of services that satisfied the transportation needs of passenger and freight services, are still acknowledged by employees and managers in the OSE. However, the analysis reached some rather disappointing and gloomy conclusions about the role of the Greek state after the 1950s period. The opinion of managers and representatives of active social groups (the thesis will argue that this is the general perception) is that the Greek state has intentionally undermined the development and expansion of the Greek railways. In contrast to other European countries, particularly France, where in the aftermath of World War II the development of the rail industry became a priority for the country's social and economic reconstruction (Meunier, 2002), Greece failed to develop and maintain a social and financing plan that would have supported the rail industry. As a consequence, the importance of the railway industry in the country's economic activity began to decline. This is the period (1950-1970) during which the absence of governmental support led the private companies to leave the Greek rail industry, and as a result ownership was concentrated in the hands of the Greek state.

The first attempt of the Greek Government to formulate strategies aimed at boosting the shrinking rail sector in Greece took place in 1966; this led to the establishment in 1972 of OSE as an independent state-owned corporation. The analysis of that period highlighted some of the basic conditions which influenced the way in which OSE was developed in relation to the strategies and objectives set by the 1966-1977 strategic and operational plans. Through the incorporation of elements of the organisational constitution, the analysis shows that informal social conflicts defined organisational development in ways contradictory to those intended by the first strategic and operational plans (1966-1977). The need for the development of a corporate-orientated organisation was overlooked, whilst a vertical, centralised organisation, incompatible with the objectives defined in the 1966-1977 business plan, was established. At the same time OSE inherited from its predecessors patterns of organisational action and organisational relationships formulated upon military forms of organisation, not compatible with the corporate characteristics that the plan foresaw.

The socialisation of the OSE (discussed in the second section of Chapter five), through the initiation of social control and collective management, was a critical moment in the company's structuration process. The company's socialisation aimed to alter the relationship between the company's management and the Greek government, and to secure the company's managerial and operational independence. Socialisation was the outcome of what was seen as a collective quest for increased social accountability and participation in the company's management. The formulation of the 1983-1997 strategic plan indicates that employees and managers embraced and tried to endorse in their ongoing operational action the use of social and business objectives. The 1983-1997 strategic plan and the economic agreement between the organisation and the Greek state (which has existed since 1972), reflect collectively formulated meanings of the social role of the rail company in the Greek social context, summarised on the argument that the state is responsible for the development and modernisation of the rail infrastructure (rail network) and rolling stock-material, and, moreover, for compensating the organisation for the provision of services provided for social and not commercial purposes. Within the framework of socialisation, strategic plans and the economic agreement aimed to sustain long-term commitments between the various collectives represented in the Representative Assembly of Social Control (ASKE).

However, the Greek Government never fulfilled its financial responsibilities towards the organisation (as these emanated from the 1972 Economic Agreement with the organisation). At the same time, OSE was unable to formulate an operational plan that would have defined the necessary operational strategies and the required resources in order that the company could implement the investment projects formulated with the 1983-1997 strategic plan. Moreover, for a period of thirteen years, OSE was unable to disclose its financial accounts and, more importantly, to maintain an efficient and trustworthy recording mechanism of business transactions in order to provide to ASKE with the necessary data to exercise social control. As a result, ASKE never became functional. Social control and democratic dialogue remained irresolute, with each interest group trying to accomplish its particularistic interests through direct negotiation with the government, or the company's senior administrators who were seen as government's representatives. As a result, the company's business objectives were never realised, and any effort for its operational and administrative modernisation failed

to be applied. The turning point in the socialisation process was the deregulation and privatisation programme intended to be applied by the Greek Government in the period 1990-1993.

The analysis of the period 1990-1993 which takes place in the third section of Chapter 5 provides an account of the conflicts that emerged over the Greek Government's intentions to restrict the company's financial deficit through the reduction of its business activities. However, the profound necessity for the company's financial and operational 'rationalisation', while shared by all collectives, did not gain adequate support. The effort for the company's reorganisation, according to the European Directive 91/440, aiming the company's operational rationalisation according to financial efficiency objectives, became the subject of a political conflict, which caused increased contradictions in the inner organisational context, and distracted the organisation from the efficient incorporation of the European Directive in the Greek rail industry. Managers and employees in the organisation, as well as social groups and local communities, perceived that the intended disaggregation between the rail infrastructure management and the service operating business units aimed at serving the government's ideological objectives, which was the privatisation of OSE, and through privatisation, the decline of the company's market share in the Greek transportation market.

The common perceptions of the social and public character of the OSE, as well as the action of the employees' union were bound by the behaviour of administrative manager, who resigned from his position in an effort to distance himself from the strategies followed by the Minister of Finance. However, the pressure exercised by the European Committee for transparency and efficiency in the management and use of the financial resources made available with the European Support Frameworks, in addition to the need of the Greek Government to control and restrict the company's accumulated deficit, made imperative the need for change in the company's administration and operational action towards a model of business action that prioritises financial over social objectives.

While in the Greek public sector the change towards a model of business organisation that would be based upon instrumental forms of accountability is allied with law 2414/1996, the analysis argues that its origins should rather be identified with the country's participation in the European Union. It is the participation in the European common market, and the accompanied responsibilities for opening up to regulated competition sectors of the Greek economy that have been dominated by state-owned monopolies, like the rail one, that triggered the changes in the OSE. However, with law 2414 of 1996, reforms gained a more holistic character towards managerialism and the faith assigned by the government to the role of the executive managers that they have the capabilities to modernise the company's administrative and operational procedures, and to undertake the responsibility to turn the company into a financially efficient and competitive rail organisation.

For that reason, chapter six distinguishes the influence exercised by the European Union, on the organisational context of the OSE, at two distinctive, and at the same time mutually informed contexts: the micro one, identified with the reforms introduced by the European rail Directives¹ and the European rules and regulations, and the macro one, identified with the macro-economic objectives set by the Greek Government for the country's participation in the Economic Monetary Union (EMU). The analysis in Chapter six begins with a presentation of the changes initiated by the European Committee at micro-level. At this level, the changes introduced by the European Commission target the financial rationalisation of the operating and investment procedures in the OSE.

The objective of the analysis on the influence exercised by the European Union at micro-level is to depict the perception that employees and managers in the organisation have of the role of the European Committee in the process of the company's operational rationalisation. The analysis argues that although employees and managers disagreed with certain strategies enforced by the European Committee, (mainly the one related to the OSE's disaggregation and the foundation of the company's first subsidiary company ERGOSE), they regard as positive the influence exercised by the European Committee. Critical to their judgement over the positive role of the European Committee in the process of the company's modernisation

¹ See the analysis made in Chapter 4, section 4.3.

is the fact that employees, and managers acknowledge as inefficient and underproductive the way that the organisational system was functioning under the coercive influence and control of the Greek Government, and that the enforced regulations and practices have emancipative characteristics aiming to set the company to be managerially autonomous from the Greek Government. An additional reason that justifies the positive perception that employees and managers have for the role of the European Commission in the company's modernisation process is the fact that the country's participation in the European Union secures the necessary financial resources for the modernisation of the company's operational systems. The need of the organisation and the Greek Government to secure the financial resources available with the Community Support Frameworks is seen by the present analysis as the main reason that secures the authority of the European Commission to impose the required changes on the Greek Government and the OSE.

At the micro-level, the Greek Government, using law 2414, aimed at securing the necessary power and status for the appointed manager administrators, and to legitimise their authority, to control and coordinate organisational action in the context of the OSE. More particularly, the Greek Government expects that the appointed executive managers would manage to control and reduce the company's continuously increasing financial deficit. With law 2414, the Greek Government's explicit intention is to dissociate its self from the company's management and the accompanied financial responsibilities in order for its economic objectives to succeed at macro-level, and to join the EMU. For that reason, while the European rail directives refer to national governments and not to rail companies, the decision for the company's disaggregation and the incorporation of the requirements of the European Directive 91/440 in Greek law was one of the major decisions assigned to the company's executive management. As the analysis in chapter six shows, the expectation of the Greek Government is that the appointed CEO would manage to formulate the necessary strategies, to rationalise financially the company's operating procedures, and at the same time secure the consensus of the inner organisational environment towards organisational changes. The use of the 1998-2002 business plan by the first appointed CEO (1997-2001) in his effort to secure the trust of the Greek Government, his subordinate managers and employees over his ability to meet their expectations is the subject of chapter six.

The operational strategy concerning the company's disaggregation according to the European directive 91/440, selected by the first CEO who was appointed in the period 1997-2001, was formulated on the basis of the accounting segregation between the service divisions and the railway infrastructure division, and the establishment of managerial independent business units. The decision for the company's accounting segregation, according to which the OSE met the marginal requirements of the European Directive 91/440, was the result of the CEO's belief that the particular operational strategy was the most financial effective and appropriate for the OSE, demanding the least financial resources and effort for its implementation, and for that reason having the least effect on the operational process. The decision made was intended to serve the CEO's main managerial goal, which was the control and decline of the company's financing deficit. The CEO of the period 1997-2001 believed that the OSE's segregation into different businesses would have caused increased costs, and moreover, it would have distracted the company from the efficient and effective implementation of its investment project. The administrative conditions existing in the organisation, the lack of any form of available data concerning the company's operating and financing activities with major examples being the under-functioning of the accounting departments and the administration of strategic and operational planning, made the use of the operational plan an inappropriate mechanism for interpreting past results and formulating future business actions based upon their financial efficiency.

With the aim of securing the trust of both the Greek Government and the European Committee, the CEO's key objective was to rationalise the company's operations financially. The OSE's financial rationalisation and the realization of the commitments he undertook towards the Greek Government with the managerial contract were the objectives that gave substance to CEO's role. Thus, as the analysis in Chapter 6 argues, the 1998-2002 business plan managed to establish meaningful relationships between the CEO and his subordinates in the OSE; as a result of this, the company was able to start applying some first changes towards the reorganisation of business action according to financial efficiency criteria. Hence, in the financial years 2000 and 2001, the management managed to control and reduce the company's financing deficit, and to increase the company's productivity.

An additional reason that led to the adoption of the company's accounting segregation was the fact that the CEO distrusted the competence of his subordinates to meet the challenges and operational dysfunctions¹ that would have emerged from the OSE's business segregation. The lack of efficient operational control systems that would have made it possible for the company's senior management to direct and control the way that employees function and to evaluate the outcomes of their actions, made the CEO reluctant to adopt the company's business segregation as an operational business strategy, fearing the negative effects that his subordinate's intended or unintended actions would have had upon the company's ability to provide operational efficient rail services. Thus the company's management decided to apply the OSE's accounting segregation, an operational strategy which, as Chapter 4 argues, had been applied by other rail state-owned organisations in European countries with similar socio-economic characteristics to Greece, and which in addition was in agreement with what has been perceived by employees, managers and employees' representatives as a rational operational strategy compatible with the company's social and public characteristics. This is why the decision for the company's accounting segregation also reflected the fear of the organisational actors and collectives that the institutional segregation of the manager of the infrastructure from the operating divisions might lead to the privatisation of the rail operator. In an effort to avoid conflicts with his subordinates and their union which would have caused him the loss of control within the organisation, and distrusting his subordinates' capabilities and intentions, the decision of the company's accounting segregation aimed to legitimise CEO's authority and to facilitate his power to control and coordinate organisational action.

As the analysis in Chapter 6 argues, the decision for the disaggregation of the financial accounts between the infrastructure manager and the rail service operating units is seen as a learning process. The CEO, through the modernisation of the company's managerial and control systems and the application of performance measurements, aimed to designate those managers competent to perform organisational roles, and responsibilities, to modernise the company's managerial and operational procedures, and, more important, to alter the

¹ It was an estimation based upon the experience that business desegregation in other European rail networks offered.

rationality that had been defining the ongoing organisational action. As the analysis in Chapter 6 argues, the OSE's business disaggregation was in reality postponed after 2002, when according to the business plan made and the targets set, the company's modernisation through the application of managerial and operational control systems would have made the application of such a strategy possible.

It has become apparent that the power of subordinates to penetrate the conditions of organisational reproduction, and the motivation of the CEO to manage and control organisational action, resulted in the business plan being used as a norm that communicated to the inner and the outer institutional environment, what collectively was perceived by organisational actors, a legitimate operational strategy, conventional to the company's operating and financing needs. Still, while the 1998-2002 business plan was the outcome of the day-to-day tensions, its use in the formulation of meaningful relationships between the company's management and the Greek Government failed.

As the analysis in Chapter 6 shows, the Greek Government had neither the ability to control the efficient implementation of the business plan, nor the intention to use that in the process of the evaluation of managerial performance. The Greek state lacked the necessary institutions that would have made possible the company's evaluation according to its financial and operational performance. As a result, the use of normative forms of accountability brought the CEO into a superior position in relation to the Greek Government, and made the concept of dialectic of control an oxymoron. The lack of an institutional body responsible for the formulation of the country's rail policy resulted in that responsibility being assigned to the CEO of the OSE. As a result, OSE's CEO became the controller, since he was responsible for the formulation of the country's rail policy, and at the same time the one under control, since he was the person responsible for the implementation of the formulated rail policy. Thus, the contractual relationship between the government and the management became meaningless, with the set operational and managerial objectives becoming irrelevant to that relationship. This is why, after the CEO's removal from his position (two years earlier from what the management contract foresaw), all the CEOs

appointed after him never signed a managerial contract, and all the following business plans made did not have the approval - at least the explicit approval, - of the Greek government.

The corporate, and managerial independence of the OSE declared by the Greek Government remains irresolute, while the intervention from the ministers of transport and finance has been decisive and intensive, over not only the formulated operational strategies, but in addition, the company's day-to-day management. This is a conclusion that contradicts the objectives of the European Directives concerning the European rail industry that constitute legal commitments for the Greek Government, according to which the OSE has to be managerially and financially independent from the Greek Government, in order to draw its business and investment plans according to corporate and profitability objectives and not according to the interests served by Government. This is why Chapter 6 concludes that the disaggregation of business plans is the result of the structural contradictions characterising the company's institutional environment, and more particularly the different objectives pursued by the Greek Government and the European Committee. The immediate effect of the fact that business plans had no role to play in the formulation and allocation of responsibilities, is that transparency in decision making and the control of the rationality defining business action became problematic. The implications and contradictions which emerged, and their effects upon the company's reorganisation, are discussed in Chapter 7.

In Chapter 7, the analysis concerns the period 2002-2008, during which the OSE was segregated into six subsidiary companies operating under the parent company OSE. Chapter 7 provides an account of the materialistic conditions which influenced the decision for the company's disaggregation, the establishment of separate businesses for the management of the railway infrastructure and the provision of rail services to passengers and freight customers. The decision for the disaggregation of these two operating activities contradicts the rationality of the decision made, with the 1998-2002 business plan for the company's accounting segregation, a decision, which as Chapter 6 concludes, was the outcome of the tensions in the everyday organisational actions that generate accountability in organisational systems.

OSE's business disaggregation was the outcome of the revision of the 1998-2002 operational plan, made under a new administration (2002-2005). According to the new five-year business plan (period 2003-2007), the company's business disaggregation is set to be the primary objective in order for the company to gain the necessary financial and operational efficiency which, according to management's opinion, the previously formulated operational strategy, that of the company's accounting segregation, had not managed to achieve. In addition, the company's business disaggregation was aiming to ensure that the responsibilities and financing liabilities of the Greek State towards the OSE would be fulfilled, and that those costs related to the rail infrastructure's management and maintenance would finally burden the Greek Government and not the rail operator, and that the rail operator would be compensated for the provision of rail services for social purposes. The decision for the company's business segregation was in accordance with the expectations of the European Committee, which regards the company's business segregation as a more transparent and efficient operational strategy for the state-owned European rail organisations.

While the inability of the previous administration (period 1998-2002) to compute the total cost that the company would have to bear if the business disaggregation had applied, resulted in the accounting segregation being seen as the most cost effective strategy, no efficiency studies concerning the sustainability, and the possibility that the cost effectiveness of the venture could be identified. The invocation of the European Directive 2001/12 was the only reason given by the managing director in the period 2002-2005, in order to justify to subordinate managers and employees the rationality for the OSE's business segregation between, a company responsible for the management of the railway infrastructure (EDISY), and a company responsible for the provision of rail services to customers (TRAINAOSE).

Since 2003, the organisation has been implicated in a costly, inefficient reorganisation process that has not yet been finalised. As a consequence, within a period of three years the company's net losses were almost doubled from €576 million in 2004 to €950 million in 2007. The accrued financing deficit, at the end of 2007, reached €8.5 billion from €4.5 billion in 2005. Moreover, the company's investment plan concerning the OSE's managerial modernisation and the application of new information technology systems have failed.

Significant is the fact that the company still has not managed to develop coherent financial and cost accounting systems. All administrative procedures are fragmented with the management not being in a position to exercise basic managerial tasks, like the management of the company's cash flows, and to monitor the company's inventories and supplies policy. In addition to the company's incapacity to complete its administrative modernisation, the modernisation of the rail infrastructure has also failed. The creation of the electrified double rail track, and technological advanced systems concerning the management of the infrastructure, as well as the creation of the Athens suburban railway has major time delays, and over-excessive cost. The costs and operational inefficiencies which emerged from the company's disaggregation were such that the most possible scenario is for the OSE to re-emerge¹.

The disaggregation of the OSE was the outcome - a decision strictly made by the Minister of Transport and the CEO of the OSE in the period 2002-2005. It was the result of the lack of tensions from the ongoing organisational action, the consequence of the power of the CEO to dominate the inner organisational context. Since 1994, the CEO, appointed in the period 2002-2005, had held the position of the general manager of the rail infrastructure directorate. Many employees and managers perceived him as the most capable and competent manager to take over the management of the organisation, and to apply a business strategy according to the dominant norms and values that consider the expansion of the OSE's operating capabilities as a priority over the financial rationalisation of the company's operating activities. Moreover, his long-term employment in the OSE also gave him the ability to know the way in which power relationships function in the organisation and the dominant role of the employees' union. His well-established authority, and the fact that he offered employees' representatives a form of co-administration, gave him the power to marginalise any voices against the company's disaggregation, and to proceed with his plans.

¹ It was announced in a conference for the Greek Railways by the new deputy Minister of Transport (of the new elected Government of PASOK) that the holding company will be merged into two companies; one responsible for the management of the infrastructure and the other one responsible for the provision of rail services. However, he did not make clear whether these will be independent or they will operate under a parent company (The conference was organised by the Technical Chamber of Greece, January 29 2010)

However, in contradiction to the opinion expressed by many managers and employees who hold the CEO of the period 2002-2005, responsible for the company's segregation, the present analysis will adopt a distinct approach in order to explain the reasons behind the particular decision. Business disaggregation is seen by the present analysis as the outcome of the inability of organisational actors to maintain a level of managerial independence from the coercive influence of the institutional environment. The current analysis argues that the company's segregation is the product of a process that implicitly started to be formulated long before it was actually realised with the post-2003 business plans. While many managers perceive that national governments and railway organisations have the ability to reorganise the national rail industry according to national priorities, the requirements imposed by the European Community for the company's financial rationalisation, in addition to the deregulation of the European rail industry, made imperative the need for the company's business disaggregation.

The company's business segregation was the outcome of a number of contradictions characterising the objectives and strategies pursued by the main parties implicated in that; namely the Greek Government, the European Committee, and the OSE's Executive management. The first contradiction is related to the objectives pursued by the Greek Government and its liability to endorse the requirements imposed by the European directives, and to open the rail market to regulated competition. The particular European strategy however, has not yet established its rationality on how competition can make, more customers orientated rail companies, and in addition, how they can become financial efficient and profitable without the economic support of National Governments. Thus the company's business disaggregation targeted at the provision of indirect financial subsidies to the TRAINAOSE (the rail undertaking) in an effort to overcome the demand imposed by the European Directives for a competitive financial and managerial independent state-owned rail organisation. Moreover, the company's business segregation and the establishment of the holding company was the outcome of the organisational actors' desperation to establish their competence and to gain the trust of the Greek society. The company management's expectation was that OSE's business disaggregating, would make apparent to the Greek society and the European Union the claim of organisational actors that, the accrued deficits is

not the result of the company's operating inefficiencies, but rather, the result of the Greek Government's unwillingness to fulfil its financial responsibilities towards the organisation. At the same time the presence of the parent company (OSE) was securing the state-owned character of TRAINAOSE that constitutes a collective requirement for organisational actors.

8.4. Research findings and literature review

This study's findings are in agreement with the results provided by previous research on the field studies that challenge the efficiency and benefits emerging from the application of managerial accountability reform in the context of the state-owned enterprises, and more particularly, in the context of the European rail industry (Bogt and Helden, 2000; Lapsley, 2001; Townley et al., 2003; Venieris and Cohen, 2004; Ballas and Tsoukas, 2004; Cooper, 2005; Shaoul, 2006). The present analysis indicates the incapacity of the managerial accountability reform applied in the context of the Hellenic Railway Organisation to modernise the patterns of operational action, and to make more efficient and transparent the company's administrative model.

Critical to the reformation process in state owned organisations is the role of the CEO, who is assigned with the authority to rationalise operational strategies in state-owned organisations according to commercial and market-orientated objectives. The concept of managerialism is underlined by the assumption that managers can achieve goal congruence between the objectives pursued by national governments and key organisational actors. Thus, managerialism presupposes authority and power in order for administrator managers to have the capacity to control organisational action, and to apply the objectives pursued by national governments. The use of operational plans and performance indicators aims to enable superordinates in hierarchical structured social systems, to control and make transparent and visible the actions and the objectives of their subordinates. For that reason, the use of operational plans in literature is seen to have a dual dimension: to align the objectives of manager administrators with those of national governments, and to align the objectives of key organisational actors and collectives with those of executive managers. This is why the application of operational and strategic plans is seen as a tighter form of control exercised from politicians on agent-managers, and as mechanisms that tend to facilitate the domination

of managing directors in state-owned business organisations, and to impose predefined objectives that alienate organisational actors from the scope and objectives of SOEs (Broadbent *et al.*, 1996; Llewellyn and Tappin, 2003; Goddard, 2005; Broadbent and Guthrie, 2008).

Complementary to the above arguments, the present analysis argues that the power of the general managers to dominate the organisational context in state-owned organisations and to impose pre-defined objectives is based upon the ability of subordinate managers and organisational collectives to influence decision making. The tensions in the ongoing organisational action are those that generate accountability and impose on agents the responsibility to self monitor their actions and their effects on organisational systems. This is why the accounting disaggregation of the OSE between the operating activities of the management of the rail infrastructure and the provision of rail services is seen as the outcome of the conscious choice made by the CEO (period 1998-2002) to realise his objectives, and at the same time not to disassociate his subordinates from the norms and rules that defined their ongoing action. This is why, as the analysis in Chapter 6 argues, the 1998-2002 business plan managed to formulate and communicate strategies towards the company's financial rationalisation, whilst through the evaluation of managerial performance, the CEO aimed to designate those managers competent to perform the allocated responsibilities. In agreement with the argument articulated by Busco *et al.* (2006), the current thesis supports that the formulation of relationships of trust between the members of the organisational system are needed to facilitate the acceptance and progressive sharing of new rationalities.

Supportive of the above conclusion over the importance of the tensions between organisational agents in generating accountability is the contradictory argument offered in the analysis in Chapter 7. In Chapter 7, it is indicated, that the company's business disaggregation, a decision beyond any operational and business rationale that has cost the organisation dear, was the result of the lack of tensions in the ongoing organisational action, and the outcome of the ability of the CEO, in the period 2002-2005, to dominate the organisational context. For that reason, the 2003-2007 business plan, which foresaw the company's business disaggregation, was not used by the company's management for

justifying, communicating or even imposing the decision for the company's business segregation.

While decoupling is seen by many researchers as the outcome of the conscious effort made by the members of an organisational system to comply with inconsistent expectations and objectives imposed by the institutional environment, targeting to secure the competence of the organisational system to accomplish its productive potentials (Brignall and Modell, 2000: 290; Dillard *et al.*, 2004; Nor-Aziah and Scapens, 2007), the present analysis supports the view that the disaggregation of business plans from the planning and the ongoing control process is the outcome of the inability of organisational agents to maintain a level of managerial independence from the coercive influence of the institutional environment the contradictory objectives of which disorientate managerial and operational action. As the analysis in Chapter 6 argues, the use of instrumental forms of accountability made apparent the obligations of the Greek Government towards the organisation, and set the company's management in a position superior to that of the Ministers of Transport and Finance who, owing to the lack of the necessary institutions, had neither the ability to negotiate the objectives incorporated in the business plan, nor the ability to control their efficient implementation. Thus, the decoupling of operational plans and objectives from the company's planning and operational control process is the outcome of the inability of the Greek government to use these in order to control the intentions and behaviour of executive management. This is why even though it was a legal responsibility for the Greek Government, and for the organisation, the 1998-2002 business plan was the only plan explicitly approved by the Greek Government, and the 1998-2002 management contract, the only management contract signed between the Greek Government and the company's management.

Thus, within the context of the OSE, decoupling of instrumental forms of control, as an organisational phenomenon, emerged in order to accommodate the Greek government's need to dominate the organisational context, a conclusion that indicates reproduced patterns in the relations of power between the various interests influencing the company's planning and management process. This is why, as the analysis in Chapter 6 shows, employees and managers perceive the influence exercised by the European Committee as a factor that

enables the modernisation of the patterns of organisational action, while the coercive influence of the Greek Government is seen as a factor that constrains the modernisation process and reproduces existing relations of power and interests related to the reproduction of already existing relations of power and interests.

The inability of organisational actors to maintain a level of independence from the institutional environment resulted, in all inconsistent and contradictory expectations, objectives and interests being pursued by the outer environment to undermine the company's operational strategy, and to further deteriorate its financing and operating condition. The decision for the OSE's business segregation was realised so that OSE and the Greek Government could meet the challenges, expectations and legal commitments towards the European Committee, for opening the Greek rail market to regulated competition (in 2008 the freight services, and in 2010 the services to passengers), a strategy, as discussed in Chapter 4, of doubtful efficiency and benefits. The OSE's business disaggregation in reality constituted the application of an accounting, and not an operational strategy that was intending to transfer all operating costs to the state, and to enable the service operator TRAINAOSE to show profits. While that conclusion can lead to the argument articulated by many researchers in the field of Institutional Theory (DiMaggio and Powel, 1983; Scott, 1991; Mizruchi and Fein, 1999; Dillard *et al.*, 2004) that decoupling is the result of the effort of organisational actors to adapt to the expectations imposed by the European Committee, and gain legitimacy in order to secure the financial resources necessary for the implementation of the company's investment programme, the disaggregation of business plans from the ongoing organisational activity is seen as the result of the contradictory and inconsistent objectives and interests served by the Greek state and the European Union.

For that reason the present analysis provides support to the argument articulated by Liberaki and Tsakalotos (2002), as well as by Venieris and Cohen (2004), that the modernisation process in the Greek social context faded out as a result of the social, economic, and cultural diversities that exist between the countries members of the European Union, and owing to the fact that the Greek Government and the European Committee conceived a narrow frame with little investigation on the effects that the application of the rail market deregulation would

have had, and how the organisational system could facilitate the implications. This is why, following the arguments of Structuration Theory, the company's business disaggregation and the current dreadful operating and financing situation are the outcome of the unintended consequences of organisational action, and the outcome of contradictory interests and expectations imposed on organisational actors.

8.5. Research findings and the contribution of Structuration Theory

The Structuration Theory was adopted in this study in order to depict the conditions governing the continuation and transformation of the patterns of organisational action in the Hellenic Railway Organisation (OSE). The appropriateness of Structuration Theory, as a framework of analysis in the present study, is underlined by the conceptualisation of structures of social conduct, not only as constraints in human action, but also as capabilities enabling the reproduction in the patterns of organisational action and accountability.

Managerial accountability reform is understood as a disruption of the established rules and norms that define the relationship between organisational actors, and the way they are rendered accountable for their actions and objectives. The applied managerial accountability reform questions the applicability of the already formulated organisational relationships, roles, practices, and their ends and aims to reposition the organisational context of the OSE in relation to wider global and local institutions. The elaboration of Structuration Theory by the present analysis aimed to depict the capability of organisational actors in the OSE to formulate accountability relationships under conditions of crisis. Critical factors in the formulation of relationships of accountability between organisational actors were found to be the power of subordinate managers to influence the conditions governing the transformation of the patterns of organisational action. The conceptualisation of power as a dialectic relationship between superordinates and subordinates in an organisational system is the main contribution of Structuration Theory in the current analysis. Dialectic of control is seen as the precondition for organisational actors to maintain a level of independence from the institutional environment and to realise its influence not as a factor that constraints organisational action but as a factor that enables it. In that sense, the changes introduced in the European rail industry were examined as factors enabling the transformation process in

the Greek rail organisation, as long as organisational actors have the ability collectively (collectivity is the outcome of the common norms, rules and values that define accountability) to influence the changes introduced.

8.6. The study's limitations

The current thesis has some limitations, mainly related to the adoption of a single case study as an empirical method of analysis that does not allow the extraction of generalisations in order to verify its conclusions. Nevertheless, by comparing the conclusions reached by the current analysis with those generated by other studies, some generalisations can be made over the reasons that caused the failure of the modernisation process in the Greek Public sector in general and the OSE in particular. For that reason, the current analysis, in the literature review section concerning the Greek public sector, elaborated conclusions from interdisciplinary fields of research, and not only those conducted by researchers in the field of accounting.

An additional limitation is the lack of consistent forms of analysis that make case studies and the use of qualitative elements in the analysis problematic. The effort to depict the conditions under which agents and structures interrelate, and how that interrelationship affects the patterns of organisational action and accountability generates many contradictions on the way in which agents perceive that interrelationship, their role and the role of the other agents, and collectives in that process. These contradictions generate problems in the flow of the analysis, and on the way in which their value and contribution are weighted by the researcher. This is why there is always the threat that the analysis and the conclusions reached will be biased. In order to avoid such pitfalls, the researcher of this study chose to categorise individual perceptions and to incorporate and present all these contradictory perceptions, and, through their analysis, to reach meaningful and unbiased results.

An additional problem which emerges in the analysis of the patterns that characterise agents' interrelationships with structures of organisational conduct is the time space that mediates between the period under analysis and the one in which the analysis takes place. That time space has effects on the way in which agents used to understand the patterns of

organisational action, their role and the way these are perceived in the present. In that sense, various conditions or second thoughts might have shifted managerial opinion and behaviour towards the patterns of organisational interaction. For example, many managers regard the OSE's business disaggregation as a wrong and inappropriate decision. This is an opinion, however, which is expressed after the effects of that decision have been realised. Consequently, the role of individual agents, and the influence exercised in the continuation and transformation of the patterns of organisational action, fails to be realised. The use of multiple sources of information is seen by the present analysis as a method for overcoming that particular limitation.

8.7. Opportunities for future research

This study was an addition to the limited research on issues of accountability and management control in the Greek public sector. This is why the present analysis stresses the need for more academic research on the particular field in the Greek public sector. The aim of the analysis was to depict the materialistic conditions and power relations influencing the structuration process and affecting the formation of relationships of accountability in the organisational context of the OSE. In that process, the dominant role of the European Committee, and the Greek Government was made apparent, and how the contradictions between these two contexts affected the efficient implementation of planning and control techniques in the OSE. While evidence on the way that public policy at European and national level has been provided, a more thorough analysis is required of the way in which the Greek Government and the European Committee formulate and apply public policies, and the influence exercised by factors like the independent management and auditing firms. It is particularly interesting to depict the contribution of these firms active in the context of the Greek public sector in the transformation of the rationality that underlines the operations in state-owned organisations.

It has to be said that it is a legal responsibility for the Greek Government and the OSE to appoint independent management consultants for the formulation and implementations of the investment projects financed by the European Support Frameworks. The reason that the European Committee imposes such an obligation on state-owned organisations is in order

that state-owned organisations like the OSE can gain the necessary know-how in the planning and control process of investment activities. The way that these independent consultants are implicated in power relations and how they act under particular materialistic conditions provide an opportunity for future research.

Appendixes

Appendix 3.1: List of Interviewees at the preliminary stage

S/N	Name	Unit/Division/department/ Subsidiary/Role	Date	Tape Recorded
1	Δαλλιβίγκας Κ.	IT Administration	10.08.2005	Recorded
2	Διακαναστάσης Α.	ERGOSE; Accounting & Finance	27.08.2005	Not recorded
3	Ευαγγελίου Γ.	Human Recourse Management	10.09.2005	Recorded
4	Καραπάνος Δ.	Former Managing Director; Member of the BoD	06.09.2005	Not recorded
5	Πανάγος	ERGOSE; Accounting & Finance	03.09.2005	Not recorded
6	Παλιεράκης Α.	ERGOSE	12.08.2005	Not Recorded
7	Πελόνης Η.	Internal Control	30.08.2005	Not recorded
8	Στάμος Λ.	Cost Accounting Department	28.08.2005	Not Recorded
9	Φιλόπουλος Δ.	Financial Control	29.08.2005	Not Recorded

Appendix 3.2: List of Interviewees

S/N	Name	Unit/Division/department/ Subsidiary/Role	Date	Tape Recorded
1	Βασιλόπουλος Α.	Employees' representative	20.03. 2008	Phone Conversation
2	Βερελής Χ.	Former Minister of Transport	20.09.2006	Provided material and written answers
3	Βίττου Α.	International relationships	19.09.2006	Not recorded
4	Βλαχογιάννης Α.	Employees' representative in the Committee responsible for monitoring the Operational Plan Railways, Airports, Public Transport. Financed by the 3rd CSF.	28.07.2006	Recorded
5	Γράβαρης	3rd Community Support Framework; Monitoring & Evaluating Unit	21.09.2006	Not recorded
6	Δαλλιβίγκας Κ.	IT Administration	19.08.2006	Recorded
7	Διοννέλης Χ.	Infrastructure Division	26.09.2006	Recorded
8	Ευαγγελίου Γ.	Human Recourse Management	23.06.2006	Recorded
9	Ευαγγέλου	Management Consultant	25.08.2006	Not recorded
10	Ησαΐα Λ.	ERGOSE; Monitoring and Evaluating OSE's Investment Plan	04.09.2006	Recorded
11	Οικονόμου Θ.	Former Manager of Economic & administration directorate	31.07.2006	Recorded
12	Καραβέβας Η.	Supervisor of Engine Drivers	21.08.2006	Recorded
13	Καραπάνος Δ.	Former Managing Director; Member of the BoD	29.04.2008	Recorded

List of Interviewees (continues)

14	Κατσαρής	Chief Accountant	24.07.2006	Not recorded
15	Κούρεντας Γ.	ERGOSE, Managing Director	09.09.2006	Provided material and written answers
16	Κουτρομπά Φ.	OSE Strategic Planning; TRAINAOSE Managing Director	11.09.2006	Recorded
17	Λαγός Σ.	Traffic Controller & financial controller	10.07.2006	Recorded
18	Λέπουρας Ν.	Financial & Rail Traffic Control	27.06.2006	Recorded
19	Μανωλάς Λ.	General Director Freight Transport division	04.10.2006	Recorded
20	Μαρκοπούλου Ε.	Rail Services department responsible for the pricing strategy	20.07.2006	Recorded
21	Μουρμούρης Ι.	Former Managing Director	06.07.2006	Recorded
22	Μπουρανής Α.	Freight Transport Division	13.10.2006	Not recorded
23	Ξερογιάννης Γ.	Management Consultant	13.09.2006	Not recorded
24	Παπαγεωργίου Χ.	Former Director General	27.07.2006	Not recorded
25	Παραδεισόπουλος Ι.	Strategic Planning & development	30.06.2006	Recorded
26	Πολύκαρπος Θ.	IT Directorate	28.08.2006	Recorded
27	Ράλλης Π.	Association of the Friends of the Railways	05.09.2006	Recorded
28	Ραυτόπουλος Σ.	Employees' representative	07.09.2006	Recorded
29	Ρετσινάς Χ.	Infrastructure Division	19.06.2006	Not recorded
30	Ρουσόπουλος Δ.	Infrastructure Division	09.09.2009	Recorded
31	Ρωξάνης Δ.	Accidents	12.09.2006	Recorded
32	Ρώπος Χ.	Ministry of Finance	12.07.2006	Not recorded
34	Στάμος Λ.	Cost Accounting Department	28.08.2007	Recorded
35	Σταυρακάκης Δ.	Accounting and Finance Department	03.08.2006	Recorded

List of Interviewees (continues)

36	Σταύρου Δ.	Financial Control	21.06.2006	Recorded
37	Ταρναβάς Δ.	Infrastructure Division	13.07.2006	Recorded
38	Τζανακάκης Κ.	Strategic Planning and Development	30.08.2006	Recorded
39	Τζαννέτος Κ.	Operational & Rail Traffic Control	28.06.2006	Recorded
40	Τριανταφύλλου Θ.	Infrastructure Division	01.09.2006	Not recorded
41	Τσάκωνας Κ.	Accounting and Finance Department	23.08.2006	Recorded
42	Τσιαμαντής Β.	Strategic Planning and Development	14.07.2006	Recorded
43	Φίλιππουπολιτης Α.	Association of the Friends of the Railways	05.07.2006	Recorded
44	Φιλόπουλος Δ.	Financial Control	18.10.2007	Recorded
45	Χρησάκης Γ.	Passengers' Transport Division	12.09.2006	Recorded

Appendix 3.3: Interview Questions guide

Introduction

- Can you briefly describe your job function and your main responsibilities?
- How long have you been at the present position?
- Can you please comment on the company's main problems and how these affect its operational and financial efficiency?

Specific Questions related to the OSE's reorganisation

- Can you please describe how the OSE's reorganisation and the formation of the holding company affect your current status and responsibilities?
- Can you please state the level of your agreement or disagreement with the OSE's business disaggregation?
- What are the challenges the OSE is now facing?
- Which ones do you consider as the most important reasons that have caused delays in the OSE's modernisation program?

Business Objectives and external influence

- In your opinion, how significant is the influence of external factors in the formulation of the company's business objectives?
- Is the choice of the company's business disaggregation an operational strategy initiated by the company's management, the Greek Government or the European Union?
- Do you consider that the formulated business objectives aim to satisfy the European Union's expectations and the policies imposed by the European Directives?
- Do you consider that the formulated business objectives aim to satisfy the expectations and objectives pursued by the Greek Government?
- Do you regard that the objectives pursued by the European Union and the Greek Government are in agreement? If not can you please identify any major contradictions, and how these affect the formulation of business objectives by the company's management?
- How would you evaluate the role of the European Union and of the Greek Government in the company's modernisation process?
- Can you please state the level of your agreement or disagreement with the statement that the formulated business strategies and the company's business disaggregation improve the OSE's competitive position in the transport market?
- Do you think that the formulated business objectives and strategies orientated towards the OSE's business segregation are in agreement with the OSE's Mission Statement for the creation of a modern, state-owned organisation, capable of providing safe and cost efficient transport services to passenger and freight customers?
- Are the formulated business objectives the outcome of a collective managerial process?

Interview Questions guide (continues)

- How important would you evaluate the role of the CEO in initiating and motivating organisational reformation?
- Is the OSE's administration, managerially independent of the Greek Government to apply corporate strategies aiming at making OSE a modern and competitive business organisation?
- How are different perspectives on organizational strategies evaluated? Are these evaluated when opposed to the principal's objectives or are these isolated?
- Which is the role of the strategic and operational department in the formulation, implementation and control of the company's operational, and investment strategies?
- Do you consider the influence exercised by the industrial union as critical in the formulation of business strategies and objectives?
- How would you evaluate the role of management consultants in the company's reformation process?
- Can you please describe the level of their involvement in the company's day-to-day activities and how they acquire information from your department/unit?
- Can you please mention any other factors or interest groups that influence the formulation of the OSE's business strategies?
- Are the formulated business objectives in agreement with your expectations?
- In your opinion which should have been the OSE's prime strategic objective?

Operational objectives and performance measurement

- How critical would you consider the influence of the European Union in the company's managerial and operational reformation process and the application of methods aiming at measuring managerial and operational performance?
- Are the formulated operational objectives used by the European Committee in order to evaluate the progress of the company's managerial and operational modernisation?
- Can you please evaluate the role of the Greek Government in the company's managerial and modernisation process and the application of methods aiming at measuring the company's managerial and operational performance?
- Is there a system for assessing effectiveness, that is, the extent to which goals and objectives are realized? If so, can you please describe how that system is coordinated?
- Are there adequate channels for top-down and bottom-up flows of information?
- How have managerial control systems evolved over the past ten years?
- Are there policies and procedures that guide evaluation and monitoring?
- Are resources assigned to monitoring and evaluation?
- Are monitoring and evaluation valued at all levels of the organization as ways to improve performance?

Interview Questions guide (continues)

- Are the formulated operational objectives used by the CEO/department's head/supervisor to evaluate operational efficiency?
- Are the operational objectives used in order to evaluate the efficiency of the applied operational strategies?
- Do you consider that the applied operational strategies, by your division/department/unit, are in agreement with the corporate objectives described in the business plan?
- How effective is the organization in meeting those goals as expressed in its business plan?
- Do you consider the influence exercised by the government and political parties as restrictive to the use of performance measurements for the company's day-to-day operational, financing and managerial activities and decisions?

Performance Measurement and Accountability

- Are the formulated operational objectives used by the Greek Government in order to measure the progress of the company's managerial and operational modernisation?
- Are the formulated managerial objectives used by the Greek Government in order to evaluate managerial performance?
- Has the use of business plans made managerial action and the use of the allocated resources more transparent and more efficient?
- Is management evaluated according to its performance and the efficient and transparent use of the allocated resources?
- Is the management rendered accountable for the efficient use of the assigned financial resources?
- Which institutional bodies have been assigned the responsibility for controlling management for the efficient use of the allocated resources?
- Which performance indicators are used in the control process and which is the reporting process?
- How often do you prepare reports related to the company's and the management's performance?
- How reliable do you consider the agreed with the managerial contract objectives?
- Is the Board of Directors in a position to control and evaluate CEO's choices?
- Is social control exercised?
- Can you please comment on the role of the industrial union in the social control process?
- Has the relationship between the company's CEO and the government changed?
- Are organizational values and assumptions aligned with the organization's actions?

Interview Questions guide (continues)

Patterns of inner communication and interaction

- Is the business plan seen as a living document? Is it updated and renewed periodically? Are key stakeholders (internal and external) involved in giving meaning to the business plan?
- Do the operational plans give members of the organization a sense of purpose and direction?
- What are the main vehicles of internal communication?
- Do you understand the objectives that the company's business disaggregation comes to serve? Have these been communicated to you?
- Do you consider that you apply the necessary and appropriate strategies that will secure the OSE's smooth and efficient transformation from a single company to a holding company?
- Can you please comment on the level of your participation in the formulation and implementation of the necessary operational strategies towards the company's business disaggregation?
- Are you evaluated according to the efficient completion of the set operational objectives?
- Are you rendered accountable for any deviations from the agreed operational objectives?
- Do you discuss operational objectives with your subordinates? If so how often?
- Do you discuss with your subordinates in the division/unit/department, the reasons for any deviations from the objectives set at the beginning of the period and the necessary changes in the applied strategies in order to improve the financial and operational outcome?
- Do staff members feel that there is adequate and ongoing communication about the organization's activities?
- What is the importance of financial information in decision making?
- What is the role of the accounting department in recording, collecting, processing and communicating financial information?
- How often do you cooperate with other departments/units/divisions in order to collect information that will help you to formulate operational strategies and to control their outcome?
- Has your supervisor/manager assigned responsibilities at lower managerial level?
- Does staff have an easy access to those in the organization with whom they must deal? Can they communicate easily with them?
- Do you consider that there are common organisational values collectively formulated that bind organisational action towards common corporate and social objectives?

Interview Questions guide (continues)

- Do you consider that you share common understandings and objectives with the rest of the employees and managers in the organisation? If not why?
- Which factors do you consider as most influential on individual behaviour?
- Do you trust the intentions and objectives of senior management?
- Do you believe that the CEO and the general directors have been appointed according to meritocratic criteria and their competence to financially and operationally modernise the organisational context?
- Do you trust your colleagues and their intentions?
- Is competence acknowledged?
- Do you think that managers are competent to perform the assigned responsibilities at managerial and operational level?
- Have they been appointed according to meritocratic and transparent criteria?
- Whose objectives are accomplished?

Appendix 3.4: Statements incorporated in the questionnaire¹ (translated from Greeks to English)

1. State the level of your agreement with the following statements that are related to the level of the influence exercised by external to the corporation factors in the process of formulating strategic objectives:
 - 1.1. The strategic objectives meet the expectations of the company's management and they are the outcome of a collective managerial process.
 - 1.2. The strategic objectives meet the expectations of the Greek Government.
 - 1.3. The strategic objectives meet the expectations of the European Union.
 - 1.4. The strategic objectives meet the expectations of the industrial union and employees' representatives.
 - 1.5. Please mention any other factors the influence of which you consider as critical in the formulation of strategic objectives.
2. State the level of your agreement with the following statements that are related to the objectives that the strategic plans, drawn by the organisation, serve.
 - 2.1. The executive management uses the operational objectives in order to evaluate the efficiency of the operational strategies.
 - 2.2. The formulated strategies and objectives aim to increase the OSE's market share in the transportation industry.
 - 2.3. The use of strategic objectives for accountability purposes, make the company's management responsible for the produced outcome (operational and technological modernisation, financial recovery).
 - 2.4. The use of strategic objectives for accountability purposes, increase transparency in the use of the allocated financial resources.
3. State the level of your agreement with the following statements that are related to the use of operational objectives for performance measurement purposes.
 - 3.1. The operational objectives define those operational strategies appropriate for the successful implementation of the OSE's strategic objectives.

¹ As it is explained in Chapter 3, section 3.5.2, the questionnaire was not used in the analysis process. It was rather used as a leverage in the effort to involve the interviewees in the research process and to make them familiar with the concepts and issues under discussion.

- 3.2. Performance measurement is of limited value due to the influence exercised by the Greek Government and various political factors in the company's ongoing managerial action.
- 3.3. Changes in the Government result in changes in the company's operational objectives.
- 3.4. Performance measurement is of limited value due to the influence exercised by the industrial union in the company's ongoing managerial action.
4. State the level of your agreement with the following statements that are related to the level of your participation in the formulation of operational objectives at your unit/administration/department.
 - 4.1. I participate in the formulation of operational objectives in my department/administration/unit.
 - 4.2. I express my opinion in order to improve the outcomes of the applied operational strategies.
 - 4.3. Operational strategies and objectives change according to the opinion I express.
 - 4.4. I discuss any inefficiencies and bad outcomes with my subordinates.
5. State the level of your agreement with the following statements according to which you are accountable for accomplishing the operational objectives efficiently and effectively.
 - 5.1. I am accountable for the efficient application of operational objectives?
 - 5.2. I am obliged to report and explain the reasons for any deviations from the operational objectives.
 - 5.3. I feel obliged to report and explain the reasons for any deviations from the operational objectives.
 - 5.4. I am obliged to make suggestions on the necessary adjustments in the applied strategies in order to improve the efficiency of my department/unit/administration.
 - 5.5. I feel obliged to make suggestions on the necessary adjustments in the applied strategies in order to improve the efficiency of my department/unit/administration.
6. State the level of your agreement with the following statements according to which you are evaluated according to your performance
 - 6.1. I am evaluated according to my ability to meet the operational objectives.
 - 6.2. My supervisor/manager expresses his disappointment when the operational targets are not met.
 - 6.3. I evaluate my subordinates for their ability to meet the operational objectives.

Statements incorporated in the questionnaire (continue)

7. State the level up to which you cooperate with other members of the organisation for the efficient implementation of the operational and managerial objectives
 - 7.1. I cooperate with my supervisors in the formulation of the operational and managerial objectives of my unit/department.
 - 7.2. In order to receive a decision I rely upon the information provided by other departments/units.
8. State the level of your understanding of the business objectives and strategies
 - 8.1. I understand the strategic objectives.
 - 8.2. I understand the operational objectives.
 - 8.3. I apply the appropriate strategies for the most optimal outcome.
 - 8.4. I consider that all managers share the same objectives.
9. State the level of your agreement with the following statements that are related to the usefulness of operational and managerial objectives
 - 9.1. The operational objectives help me at making better decisions.
 - 9.2. Performance measurement makes me a better manager.
 - 9.3. Operational/managerial objectives help me to make a positive contribution towards the achievement of the company's overall strategic objectives.

Appendix 3.4 Statements incorporated in the questionnaire in Greeks

1. Σε ποιο βαθμό θεωρείτε υπαρκτή ή όχι την παρέμβαση εξωγενών παραγόντων στην διαμόρφωση των στρατηγικών στόχων του οργανισμού; Παρακαλώ σημειώστε ανάλογα με τον βαθμό σημαντικότητας.
 - 1.1. Οι στρατηγικοί στόχοι ανταποκρίνονται στις προσδοκίες της διοικητικής λειτουργίας του οργανισμού.
 - 1.2. Οι στρατηγικοί στόχοι ανταποκρίνονται στις προσδοκίες της κυβέρνησης και των πολιτικών προϊσταμένων
 - 1.3. Οι στρατηγικοί στόχοι ανταποκρίνονται στις προσδοκίες της Ευρωπαϊκής Ένωσης
 - 1.4. Οι στρατηγικοί στόχοι επηρεάζονται από τις παρεμβάσεις και προσδοκίες συνδικαλιστικών παραγόντων
 - 1.5. Παρακαλώ επισημάνετε επιπλέον παράγοντες που θεωρείτε ότι επηρεάζουν τη διαμόρφωση των στρατηγικών στόχων:
2. Παρακαλώ δηλώστε τον βαθμό συμφωνίας/διαφωνίας σας με τις παρακάτω προτάσεις για τη χρήση των επιχειρησιακών στόχων του οργανισμού ως μεθόδων μέτρησης της απόδοσης του οργανικού αποτελέσματος.
 - 2.1. Οι επιχειρησιακοί στόχοι χρησιμοποιούνται από τη διοίκηση για να αξιολογούν την αποτελεσματικότητα των επιχειρησιακών δράσεων
 - 2.2. Οι στρατηγικοί στόχοι είναι το αποτέλεσμα της ανάγκης του οργανισμού να αναπτύξει δράσεις που θα ενισχύσουν την στρατηγική του θέση και θα αυξήσουν το μερίδιο του στην αγορά
 - 2.3. Οι στρατηγικοί στόχοι κάνουν τη διοίκηση υπεύθυνη για το παραγόμενο αποτέλεσμα
 - 2.4. Οι στρατηγικοί στόχοι αυξάνουν τη διαφάνεια στην αξιοποίηση των πόρων
3. Σε ποιο βαθμό συμφωνείτε ή διαφωνείτε με τους παρακάτω σκοπούς των στρατηγικών σχεδίων; Παρακαλώ σημειώστε ανάλογα με το βαθμό συμφωνίας/διαφωνίας σας.
 - 3.1. Οι επιχειρησιακοί στόχοι καθορίζουν τις δράσεις εκείνες που είναι απαραίτητες για τη πραγματοποίηση των στρατηγικών στόχων.
 - 3.2. Η σημασία αξιολόγησης της απόδοσης των επιχειρησιακών στόχων είναι περιορισμένη εξαιτίας των πολιτικών-κυβερνητικών παρεμβάσεων
 - 3.3. Οι εναλλαγές στην πολιτική εξουσία μεταβάλλουν τους οργανικούς στόχους
 - 3.4. Η σημασία αξιολόγησης της απόδοσης των επιχειρησιακών στόχων είναι περιορισμένη εξαιτίας συνδικαλιστικών παρεμβάσεων

Statements incorporated in the questionnaire in Greeks (continues)

4. Παρακαλώ προσδιορίστε το βαθμό συμμετοχής σας στον προσδιορισμό των επιχειρησιακών στόχων:
 - 4.1. Συμμετέχω με την άποψή μου στην διαμόρφωση των επιχειρησιακών στόχων της διεύθυνσής μου
 - 4.2. Συμμετέχω προσφέροντας τη γνώμη μου στη βελτίωση των επιχειρησιακών στόχων
 - 4.3. Οι επιχειρησιακοί στόχοι αλλάζουν ανάλογα με τη γνώμη που εκφράζω
 - 4.4. Συζητώ με τους υφιστάμενους μου τους επιχειρησιακούς στόχους όταν υπάρχουν προβλήματα
5. Σε ποιο βαθμό είστε υπόλογος για την επίτευξη των επιχειρησιακών στόχων;
 - 5.1. Είμαι υπόλογος για την επίτευξη των επιχειρησιακών στόχων
 - 5.2. Είμαι υποχρεωμένος να αναφέρω τους λόγους για τους οποίους υπάρχουν αποκλίσεις στους επιχειρησιακούς στόχους
 - 5.3. Αισθάνομαι υπεύθυνος να αναφέρω τους λόγους για τους οποίους υπάρχουν αποκλίσεις στους επιχειρησιακούς στόχους
 - 5.4. Είμαι υποχρεωμένος να εισηγούμαι απαραίτητες ενέργειες, προκειμένου να βελτιώσω την απόδοση της διεύθυνσής/τμήματός μου.
 - 5.5. Αισθάνομαι υπεύθυνος να αναφέρω τους λόγους για τους οποίους υπάρχουν αποκλίσεις στους επιχειρησιακούς στόχους
6. Σε ποιο βαθμό αξιολογείτε με βάση την απόδοση σας ως προς την επίτευξη των επιχειρησιακών στόχων ;
 - 6.1. Αξιολογούμαι με βάση την ικανότητά μου να επιτύχω τους στόχους που έχουν τεθεί
 - 6.2. Ο προϊστάμενός μου εκφράζει την απογοήτευση του όταν οι επιχειρησιακοί στόχοι δεν ικανοποιούνται
 - 6.3. Αξιολογώ τους υφιστάμενους μου με βάση απόδοσή τους σε σχέση με τους επιχειρησιακούς στόχους
7. Σε ποιο βαθμό θεωρείτε ότι συνεργάζεστε και με άλλα στελέχη για την επίτευξη και διαμόρφωση των επιχειρησιακών στόχων.
 - 7.1. Συνεργάζομαι με τους προϊσταμένους μου για τη διαμόρφωση των επιχειρησιακών στόχων της διεύθυνσής μου

Statements incorporated in the questionnaire in Greeks (continues)

- 7.2. Για να λάβω τις αποφάσεις μου βασίζομαι και στις πληροφορίες που μου παρέχουν άλλα στελέχη του οργανισμού
- 8. Παρακαλώ αναφέρετε σε ποιο βαθμό θεωρείτε ότι αντιλαμβάνεστε τους επιχειρησιακούς στόχους και δράσεις
 - 8.1. Αντιλαμβάνομαι τους στρατηγικούς στόχους
 - 8.2. Αντιλαμβάνομαι τους επιχειρησιακούς στόχους
 - 8.3. Εφαρμόζω τις σωστές δράσεις για την επίτευξη επιχειρησιακών στόχων
 - 8.4. Θεωρώ ότι όλα τα στελέχη μοιραζόμαστε τις ίδιες αντιλήψεις και στόχους
- 9. Θεωρείτε ότι η ύπαρξη επιχειρησιακών στόχων και η μέτρηση του οργανικού αποτελέσματος ενισχύουν ή δυσχεραίνουν τη δουλειά σας
 - 9.1. Οι επιχειρησιακοί στόχοι με βοηθούν να λάβω καλύτερες αποφάσεις
 - 9.2. Η μέτρηση της απόδοσής μου με βοηθά να γίνω καλύτερος “manager”
 - 9.3. Η ύπαρξη στόχων με βοηθά να συνεισφέρω στους στρατηγικούς στόχους του οργανισμού

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